

BUSINESS WEEK

What's Ahead

FOR BUSINESS IN 1952?

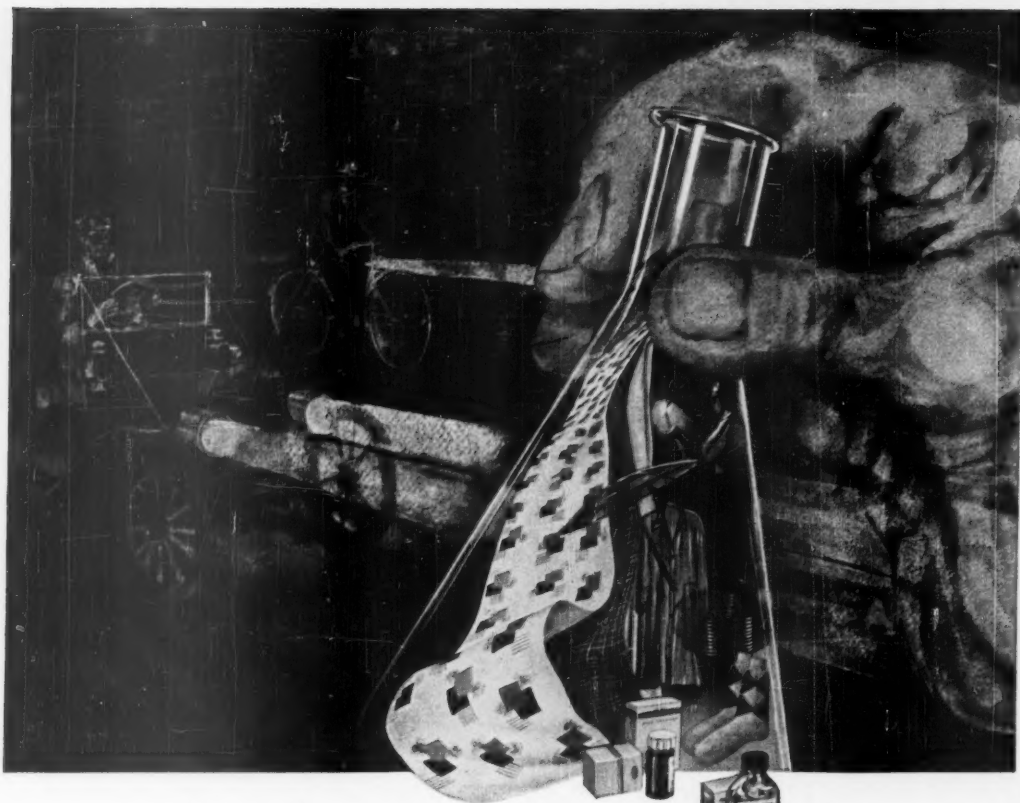
PAGES 9, 21



Continental Oil's McCollum: Management theory lubricates an oil company (page 68)

A McGRAW-HILL PUBLICATION

DEC. 29, 1951



Acetylene still shows the way

Your nicest textiles—as well as vitamins, headache remedies, plastic garden hose, or welding on your car—may stem from this versatile gas

FORTY YEARS AGO acetylene gas made from calcium carbide was used for home and street lighting, and was in common use for bicycle and automobile lights. Though these old lights have long since gone out, acetylene has gone on to chemical greatness.

IN CHEMICALS—Today, acetylene is the parent of hundreds of chemicals and chemical products used to make plastics, insect sprays, vitamins, aspirin, sulfa drugs and many other things.

Acetylene is the source of some of the basic chemicals in *dynel*, the new wonder textile fiber. It also goes into the Vinylite plastics used in beautiful home furnishing materials, protective coatings, and a host of other products.

IN METAL FORMING—In the production and use of metals, acetylene teamed up with oxygen has revolutionized many industries. From mines-to-mills-to-manufacturer,

you will find oxy-acetylene cutting, welding and metal conditioning.

50 YEARS OF PROGRESS—The people of Union Carbide have produced acetylene for over half a century. Through continuous research they have made many remarkable acetylene discoveries important in the lives of all of us.

FREE: Learn more about the interesting things you use every day. Write for the 1951 edition of the booklet "Products and Processes" which tells how science and industry use the ALLOYS, CARBONS, CHEMICALS, GASES, and PLASTICS made by Union Carbide. Ask for booklet O.



UNION CARBIDE
AND CARBON CORPORATION
30 EAST 42ND STREET  NEW YORK 17, N. Y.

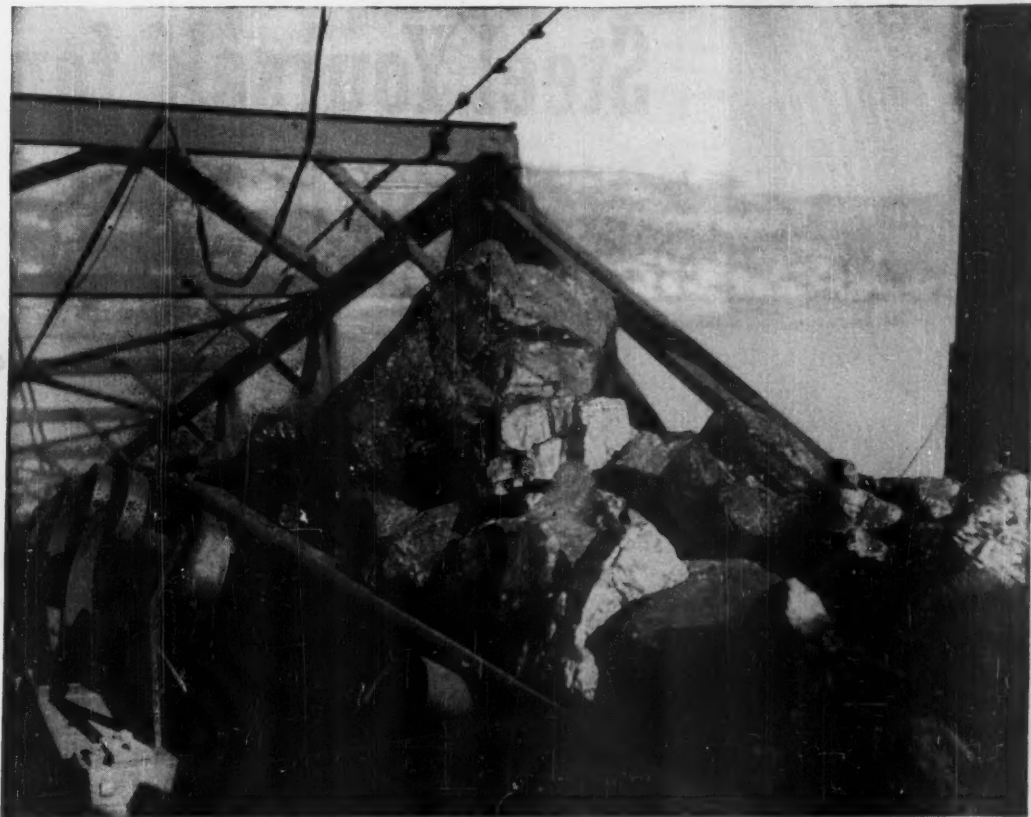
UCC's Trade-marked Products of Alloys, Carbons, Chemicals, Gases, and Plastics include

PREST-O-LITE Acetylene • LINDE Oxygen • PRESTONE and TREK Anti-Freezes • BAKELITE, KRENE, and VINYLITE Plastics
SYNTHETIC ORGANIC CHEMICALS • NATIONAL Carbons • ACHESON Electrodes
PYROFAX Gas • HAYNES STELLITE Alloys • ELECTROMET Alloys and Metals • EVEREADY Flashlights and Batteries

RESEARCH KEEPS

B.F. Goodrich

FIRST IN RUBBER



16 million tons of crash! bang! crunch!

A typical example of B. F. Goodrich improvement in rubber

THOSE are chunks of coal, some weighing a ton apiece, on their way to a boat ride. It's a rubber conveyor belt they are riding, to a barge. Coal cars crash these heavy lumps onto the belt from a height of 15 feet. It's a wonder that belts lasted 5 years and carried 6 million tons of coal; that was a testimonial to rubber.

But still B. F. Goodrich wasn't satisfied. Engineers here had been working on a new principle of conveyor belts called cord belts, for just such crashing impact. In this exclusive design individual cords run lengthwise, each

floating in rubber—the whole belt can "give" and absorb impact blows whereas ordinary belts had to stand and take the blow and so of course tore, broke, wore out.

The belt in the picture is the first cord conveyor belt ever installed. Instead of the 5-year previous record, it had this picture taken after 11 years and 14 million tons of punishing use. Yet it *still* went on working, carrying coal, until it reached the record of 16 million tons over 14 years of service.

This belt was exposed to sun and ice, Ohio River floods, wet, sharp coal—

every possible condition that would ruin other, ordinary belts. Its BFG patented construction stood them all.

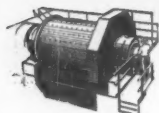
Here is a perfect example of BFG research which is constantly lengthening the life of rubber products, and so reducing their cost to industry. It is the research you benefit by when you call in your B. F. Goodrich distributor.

The B. F. Goodrich Company, Industrial and General Products Division, Akron, Ohio.

B.F. Goodrich
RUBBER FOR INDUSTRY

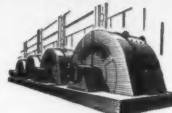
Steel Yourself for a Tough Job!

Allis-Chalmers Equipment Helps Build Steel Production...



More reserves of iron ore. This grinding mill is part of Allis-Chalmers' wide range of reduction machinery for processing low-grade ores, such as taconite, to extend the nation's iron reserves.


More air for blast furnaces. Dependable Allis-Chalmers turbo-blowers supply blast furnaces with huge volumes of air at low cost. Takes $3\frac{1}{2}$ tons of air to make a ton of iron from ore!



More power for rolling mills. Giant Allis-Chalmers motors and control devices drive the rolls that turn out steel bars, rods, plates and sheets. Smaller motors are used through every step of metal working.

PROSPERITY AND POWER!

America's strength, prosperity and good living have been paced by rapidly expanding generation and utilization of electric power.



USE ribs of steel . . . to build a king-size concrete pipe to carry water . . .

Spin a web of steel cable and girders to bridge a river . . .

Roll out steel for cars, trucks and tanks in the quantities called for today . . .

For the tough jobs, America turns to steel!

Today, with an unprecedented capacity of 100 million tons a year, your privately owned and operated steel companies produce far more

than all the rest of the world combined.

And in helping them continue to raise production, Allis-Chalmers literally puts its shoulder to the wheel . . . with giant motors to drive the rolling mills, with complete power generation and control equipment, with blowers and pumps. In fact, Allis-Chalmers machines and equipment help *all industry* expand its productive might!

ALLIS-CHALMERS MANUFACTURING COMPANY
Milwaukee 1, Wisconsin

ALLIS-CHALMERS



Machinery that Aids all Industry—
Furtheres American Good Living!



The NEW TOWMOTOR...

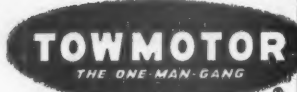
industry's handling headliner!

There's nothing but good news about handling costs when the NEW Towmotor line-up makes the headlines. Five new Towmotor models add greater-than-ever versatility to every phase of handling in America's most important industries. New features assure greater maneuverability; new design provides increased stability with full rated loads. Pneumatic, cushion or solid rubber tires provide speed with safety over any type of surface, inside or out. Capacities: 2,000-3,000 and 4,000 lbs. Complete details of the NEW Towmotor are clearly shown in a new 15-minute film, "WHAT MAKES IT TICK." It's available now for a showing in your office at your convenience. Plan now to see it. Send the coupon today!

CHECK THESE HEADLINE FEATURES

- Shorter wheel base increases maneuverability
- Larger tires assure easier handling
- Larger steel wheels for better control
- Quiet as a deluxe car
- Double Universal joint eliminates shock
- Heavy duty, air-cooled clutch
- Forced feed lubrication
- Specially engineered Towmotor transmission; 2 speeds forward and reverse
- Powerful hydraulic brakes
- Engineered for constant, 'round-the-clock service on heaviest lifting jobs

SEND COUPON TODAY for a showing of "What Makes It Tick" in your office. 15 minutes of helpful information with no obligation to you!



FORK LIFT TRUCKS and TRACTORS

RECEIVING • PROCESSING
STORAGE • DISTRIBUTION



HOW MANY PEOPLE HAVE YOU TALKED TO ABOUT AMERICANISM TODAY?

TOWMOTOR CORPORATION

Div. 2, 1226 E. 152nd Street, Cleveland 10, Ohio

I want more information about the NEW Towmotors. I would like to see "What Makes It Tick" in my own office. Please send details.

Name _____

Company _____

Address _____

City _____ State _____

Representatives in all principal cities in U. S. and Canada

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BUSINESS WEEK • Dec. 29, 1951



"JUST SO" NUT-RUNNING SAVES MOTOR TROUBLE

AN APPLICATION OF KELLER AIR TOOLS

When a nut works loose from a connecting rod or main bearing, the car owner is "stuck" for an expensive service job.

Hence when automobile engines are built—or rebuilt—great care is taken to make sure that all nuts are tightened to just the right torque.

In the plant shown above where forty or more engines are rebuilt each day, accurate nut-running represents an important labor cost. Sixteen

connecting rod nuts require a torque of exactly 35 ft/lb; 8 main bearing nuts must be drawn down to 70 ft/lb; and 48 cylinder head nuts to 65 ft/lb.

About 18 months ago this rebuilder met his problem with Keller Nut Setters. After starting nuts a quarter turn by hand, workmen run them down instantly and effortlessly with these air-powered tools. Regulators adjust the air supply so that each nut is tightened automatically

to just the desired torque.

Through 18 months of continuous service not one nut setter has been down for repair. Naturally our customer is pleased at such a service record, at the continuous accuracy of their work, and at the reduction in labor costs which these tools have brought about.

Keller Air Tools are at work in hundreds of plants... drilling, grinding, hoisting, riveting, driving screws, and setting nuts... making tough jobs easy and reducing costs.



Air Tools engineered to industry

KELLER TOOL COMPANY, GRAND HAVEN, MICH.

AIR MOTORS • AIR HOISTS • AIR HAMMERS • COMPRESSION RIVETERS • GRINDERS • DRILLS • SCREW DRIVERS • NUT SETTERS



Album of Improved Products...

Through the use of Hackney Deep Drawn Parts

Many manufacturers in many industries have discovered that a forging or a casting on their product can be replaced by a Hackney Deep Drawn Part... a part that has strength, neat appearance, light weight and over-all cost advantages.

Almost 50 years of specialized experience stand back of Hackney Deep Drawn Shapes and Shells. They are produced in a wide variety of metals and alloys... in capacities from 1 quart to 110 gallons... in inside diameters from approximately 3 inches to 32 inches.

Hackney Deep Drawn Shapes and Shells are made to your specifications. Send us a sketch of your requirement and see if we can help you.



Pressed Steel Tank Company

Manufacturer of Hackney Products

1493 S. 66th St., Milwaukee 14
1397 Vanderbilt Concourse Bldg., New York 17
207 Hanna Bldg., Cleveland 15
936 W. Peachtree St., N. W., Room 115, Atlanta 3
208 S. LaSalle St., Room 789, Chicago 4
355 Roosevelt Bldg., Los Angeles 14

containers for gases, liquids and solids

In BUSINESS this WEEK...

Too Fast...

That's the trouble with contract letting, mobilizers now think; the rush has actually been stalling defense production. Washington is rescheduling output to push critical items. P. 25

Too Many...

... mergers, says the Federal Trade Commission of U.S. business. But an M.I.T. economist comes up with some different answers. P. 26

Too Little...

... steel. Detroit's Big Three say they are being robbed. P. 27

Too Slow...

... sales in 11 months of the year left the turkey business a dead duck except at holiday. It isn't that way anymore. P. 76

Too Bad...

... for small business, the financing experts have always said. But now the Dept. of Commerce finds small business makes out pretty well in raising capital. P. 80

Too Good...

... to let slide. That's the picture on investment opportunities in Brazil, as a lot of U.S. businessmen see them. P. 97

THE DEPARTMENTS

Building	55
Business Abroad	97
Business Outlook	9
Defense Business	88
Figures of the Week	15
Finance	80
International Outlook	95
Labor	32
Management	68
Marketing	74
The Markets	86
New Products	48
Production	42
Readers Report	66
Small Business	58
Taxes	62
The Trend	104
Washington Outlook	17

"She sure starts quick, Pop!"



That's because Pop uses **WINTER-BLENDED PHILLIPS 66 GASOLINE**

● Back in the 1920's, our research in petroleum led us to make gasoline with *controlled volatility*. We matched our motor fuel to the season and climate. Result: quick starts, smooth power, and good economy all year long.

From a few flasks in a laboratory, gasoline blended for *controlled volatility* grew into billions of gallons. In this, our 34th holiday season, more than 15,000 dealers in 27 states sell Phillips 66 *Winter-Blended* Gasoline.

Vigorous action applied to ideas such as *controlled volatility* has made us widely known.

If it is made, or can be made, of petroleum raw materials, think first of Phillips Petroleum Company.



PHILLIPS PETROLEUM COMPANY
Bartlesville, Oklahoma

We put the Power of Petroleum at America's Service



*You Can Cut this Tax on Both Ordinary
and Excess Profits—98%*

*Eye Accidents
Cost
\$160,000,000
in Lost Man-Hours*

* Estimate. Does not include average cost of compensation which even for the low cost year of 1938 was \$328.

In the entire plant operating picture, no high cost is more unnecessary yet easier to reduce than the tax exacted by industrial eye accidents. It can be cut 98%... thousands of dollars can be saved annually... trained workers can be kept producing steadily during this period of high production—

when proper safety goggles are worn on all eye-hazardous jobs.

Your AO Safety Representative has the figures to prove that an AO Eye Protection Program (which can pay for itself in six months) is a good investment *any time*—particularly *today*.



American Optical
SAFETY PRODUCTS DIVISION

SOUTHBIDGE, MASSACHUSETTS • BRANCHES IN PRINCIPAL CITIES

BUSINESS OUTLOOK

BUSINESS WEEK

DECEMBER 29, 1951



Consumer demand will be your clue to the business level in 1952.

All the other major boom makers next year will be just as strong as in 1951—and maybe even stronger, in the aggregate.

No matter how the Korean peace negotiations turn out, arms production is pretty much committed well into 1953 (page 21).

Contracts already let or authorized form the solid base from which there will be no dropoff. As a business stimulant, the pace of rearmament will be upward throughout the year.

You get a feel of this from the constant jabbing by Washington officials at the "slowness" of defense production.

Capital goods expansion, even in the face of material shortages, is liable to match—if not beat—record-smashing 1951.

Estimated business expenditures for new plant and equipment in the first quarter are well ahead of the year-earlier rate. Biggest gains, of course, are in defense and defense-supporting lines.

But a lot of nondefense expansion would start in a minute if the National Production Authority were to loosen the reins.

Consumer spending once again is the big question mark.

In the last year personal income has risen by about \$23-billion. But, over the same period, personal spending has practically stood still.

Employment rose, and wage rates rose; yet people simply put the increase in the sock.

People saved at a \$22-billion annual rate in the third quarter.

Even in booming 1948 consumers saved only about \$10-billion. Not since war-pinch 1944 has so much "rainy day" money been put aside.

Both employment and wages will rise again in the coming year.

The extent of business improvement will depend on whether the additional income thus generated finds its way into the retail market or ends up in the mattress.

Industrial activity would probably rise slowly next year even though retail trade were to stick on dead center. But, if today's shoppers turn into tomorrow's buyers—and you can find lots of people who think they will—business in 1952 will be what almost everyone expected in 1951.

Manpower will become a problem only after defense speeds up a good bit from present levels—probably toward midyear.

Of course, skilled workers—especially for the aircraft industry—will be as tough to find as ever. But the big reserve of emergency workers, mostly unskilled, is still to be tapped.

The expansion in the armed forces this year barely soaked up the normal annual growth in the labor force.

Employment in 1951 remained practically stationary (aside from purely seasonal swings). If it hadn't been for military needs, unemployment would have risen due to the lull in consumer goods.

Uncle Sam, as tax collector, will hold back first-quarter business.

For a while, around Mar. 15, the Treasury will be running a big surplus.

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK
DECEMBER 29, 1951

Individuals and corporations both will be feeling poor. Business nervousness in 1952, if any, will crop up then.

The high level of postwar taxes, in all truth, seems to have created a new seasonal twist in business: a yearly tax-date bump.

•
Factory inventories aren't likely to show much change over the next year—except as rising or falling prices affect the total.

Manufacturers have added over 20% to their stocks in a year, more than 40% since we became involved in Korea.

In recent months, however, almost all the rise has been in defense industries. Manufacturers of durable goods, in fact, have been building up stocks just a little faster than makers of soft goods liquidated.

•
Retailers apparently have kept shelf stocks well in hand.

Their inventories are about 10% below the unhealthy peak reached earlier in 1951. Thus, even after a somewhat disappointing Christmas, there seems little distress evident in most areas.

In fact, any upturn in consumer demand in excess of seasonal proportions would send retailers knocking on their suppliers' doors.

•
Business will continue pressed for ready cash in 1952.

Demand comes from all sides. There's the rising cost of doing business, the squeeze of flexible costs against more or less-rigid prices. There's the higher tax load. And there's the necessity of paying for the still huge balance of plant expansion programs.

And the squeeze on earnings after taxes makes it more and more difficult to plow back funds for expansion and working capital.

•
Business borrowings aren't rising so fast as in the last half of 1950. Yet they are up sharply this year and will be again in 1952.

Bank loans to business rose by about \$4-billion for the year. And this was not all for defense.

In the last five months, nondefense loans climbed by \$1½-billion. That's as much as all business loans would be likely to go up in a normally good year without a rearmament program.

And these borrowings remain as a potential inflationary force.

•
Stockholders won't fare so well in 1952 as in 1950 or 1951.

Corporations, in the face of declining earnings, have done well in 1951 even to come so close to matching 1950's record of \$9.2-billion.

Next year's dividends will be held down by higher tax rates plus the payment speedup, by higher interest rates, and by higher costs generally.

The final quarter of 1951 began to show the effects. "Christmas dividends" were less liberal than a year earlier, by and large.

•
Value of all goods produced and services rendered should be pushing a \$360-billion rate by the end of next year (against \$300-billion now). Increases in physical volume of output and in price tags may well contribute about equally.

Prices won't add much to gross national product before spring. After that, deficit financing will be a price-raising factor.



What do your delivery trucks tell the neighbors about your business ?

THE WHITE 3000 carries a prestige-building impression of your quality and service standards right up to the door of your best customers and prospects. It's a "rolling billboard" of high advertising value. "Successor to the motor truck for city service," the White 3000 saves time in

traffic, makes more deliveries per day. Quicker to get in and out of, safer to drive. For complete details in terms of your own business, see your local White Representative.

THE WHITE MOTOR COMPANY

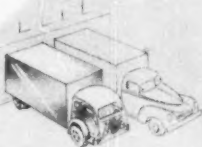
Cleveland 1, Ohio

The White Motor Company of Canada Limited
Factory at Montreal

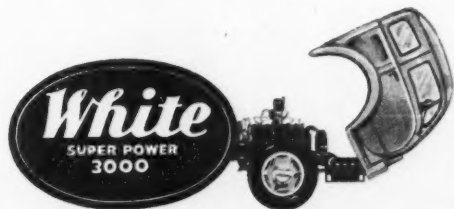
DROP FRAME design
lowers loading height,
saves reaching, saves
driver energy.



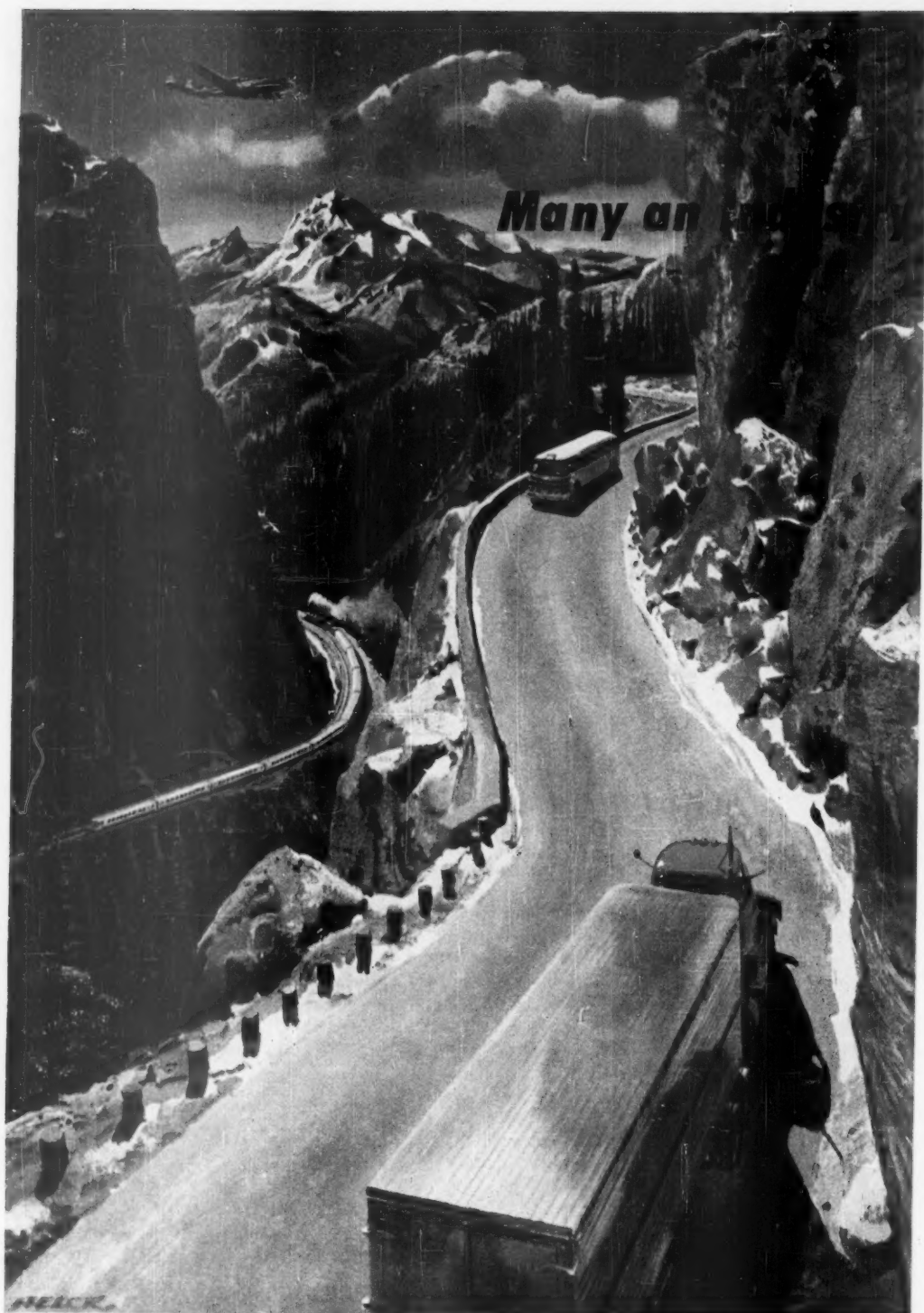
SAVES SPACE at the
loading dock, in traf-
fic, parking and in
the garage.



SHORTER turning radius
for better maneuvering
and substantial savings
in driving time.



FOR MORE THAN 50 YEARS THE GREATEST NAME IN TRUCKS



ALUMINUM COMPANY OF AMERICA

has found faster going ...along the road we live on

The road we live on is called Co-operation. It is sixty-three years long, and has grown wider every time Alcoa people went more than halfway, to help someone.

Many of America's great industries have found faster going along that road. Large or small, the true measure of their greatness lies in the new jobs they have made, the better things they have constantly searched for, and created; in sum, their contribution to a better life.

By the light weight with which Nature endowed it, aluminum has been uniquely fitted for its part in these new jobs and better products. Our job has been to impart to this unique metal the extra strength, and stamina, and other properties that wide usefulness demanded, and to help in every way possible to make its use inexpensive, and convenient, and trouble-free. ALUMINUM COMPANY OF AMERICA, 2198M Gulf Building, Pittsburgh 19, Penna.

A business built on Co-operation



ALCOA

ALUMINUM, through sixty-three years of unremitting Alcoa research, has become many metals . . . a wide range of Alcoa Alloys, each developed for strength, or corrosion resistance, or electrical conductivity, or one of a score of other properties . . . all of them combining the unique advantages of aluminum.

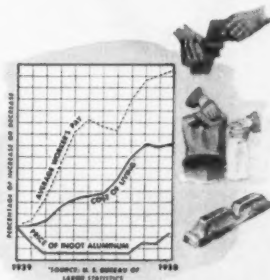


ESTIMATED 1953

1300 MILLION LBS.*

*Alcoa estimates as of October 1951 to interested Government agencies

ALUMINUM IN DEFENSE has made the Air Force possible, stripped infantry and mobile units of excess weight, helped Naval vessels range farther, faster; lightened the problems of Supply. In the brief span since 1939, Alcoa production for defense and civilian needs more than doubled, will nearly double again when plants now planned are operating.



THE EFFORTS of thousands of price-conscious Alcoa people have been concentrated on improvement of processes, so as to make aluminum available in all its forms, in the highest quality, at the lowest possible prices.



FAST FEEDING FOR THIRSTY FIGHTERS

Speeding "meal-time" for carrier planes was once a major problem for our Navy. Vital minutes were wasted because refueling hoses for aircraft were stiff, heavy and awkward to handle on a carrier's crowded flight deck. Furthermore, the hoses were deteriorating rapidly due to the destructive action of gasoline on the natural rubber.

A new kind of hose was indicated. Countless materials were tried without success until Hewitt-Robins Neoprene hose was tested aboard the carriers *Saratoga* and *Lexington* in 1932. The first synthetic rubber gasoline hose ever manufactured... it immediately proved

successful. It was lightweight, flexible, tough, cut down refueling time drastically, and was completely resistant to the action of gasoline and oil.

The next step was obvious—Hewitt-Robins synthetic oil-resistant hose was a "natural" for the entire oil industry. Today, from oil well to service station, it has become an instinctive choice for handling liquid petroleum products.

Whatever you must handle—from gasoline to grout—you will find a Hewitt-Robins hose to meet your most particular needs. Hewitt-Robins has offices and distributors in all major cities.



Hewitt-Robins Synthetic Oil-Resistant Hose is specially designed to withstand deterioration and flaking from liquid petroleum products. It is lightweight, easy-to-handle... one of 1,000 types of specialized hose we manufacture.

HEWITT ROBINS

Executive Offices: 370 Lexington Avenue, New York 17, N. Y.

HEWITT RUBBER DIVISION: Belting, hose and other industrial rubber products

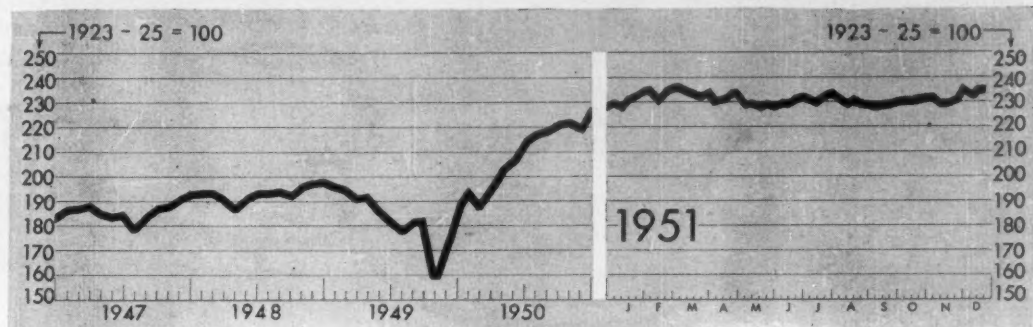
ROBINS CONVEYORS DIVISION: Conveying, screening, sizing, processing and dewatering machinery

ROBINS ENGINEERS DIVISION: Designing and engineering of materials handling systems

HEWITT RESTFOAM DIVISION: Restfoam® mattresses, pillows and comfort-cushioning

Hewitt-Robins is participating in the management and financing of Kentucky Synthetic Rubber Corporation

FIGURES OF THE WEEK



Business Week Index (above) *235.8 †236.1 232.2 229.4 173.1

PRODUCTION

	\$ Latest Week	Preceding Week	Month Ago	Year Ago	1946 Average
Steel ingot production (thousands of tons).....	2,027	2,097	2,079	1,931	1,281
Production of automobiles and trucks.....	108,172	†115,627	86,313	160,912	62,880
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands).....	\$37,485	\$36,305	\$37,045	\$61,940	\$17,083
Electric power output (millions kilowatt-hours).....	7,824	7,667	7,157	7,033	4,238
Crude oil and condensate production (daily av., thousands of bbla.).....	N.A.	6,225	5,888	5,763	4,751
Bituminous coal production (daily average, thousands of tons).....	1,892	†1,874	1,993	2,001	1,745

TRADE

Carloadings: manufactures, misc., and L.C.I. (daily av., thousands of cars).....	74	77	77	77	82
Carloadings: all other (daily av., thousands of cars).....	51	52	58	51	53
Department store sales (change from same week of preceding year).....	-4%	-1%	+2%	+9%	+30%
Business failures (Dun and Bradstreet, number).....	117	143	149	174	217

PRICES

Spot commodities, daily index (Moody's Dec. 31, 1931 = 100).....	461.1	457.9	456.9	511.7	311.9
Industrial raw materials, daily index (U.S. BLS, Aug., 1939 = 100).....	318.1	317.6	315.9	353.8	198.8
Domestic farm products, daily index (U.S. BLS, Aug., 1939 = 100).....	357.3	356.0	357.7	382.8	274.7
Finished steel composite (Iron Age, lb.).....	4.131e	4.131e	4.131e	4.131e	2.686e
Scrap steel composite (Iron Age, ton).....	\$42.00	\$42.00	\$42.00	\$45.13	\$20.27
Copper (electrolytic, Connecticut Valley, lb.).....	24.500e	24.500e	24.500e	24.500e	14.045e
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	*\$2.54	\$2.55	\$2.54	\$2.40	\$1.97
Cotton, daily price (middling, ten designated markets, lb.).....	41.91e	41.60e	42.23e	43.20e	30.56e
Wool tops (Boston, lb.).....	\$2.25	\$2.30	\$2.23	\$3.50	\$1.51

FINANCE

90 stocks, price index (Standard & Poor's).....	186.8	186.1	178.5	159.4	135.7
Medium grade corporate bond yield (Baa issues, Moody's).....	3.63%	3.62%	3.58%	3.19%	3.05%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate).....	2½%	2½%	2½%	1½%	¾-1%

BANKING (Millions of dollars)

Demand deposits adjusted, reporting member banks.....	54,636	54,243	52,357	51,770	††45,210
Total loans and investments, reporting member banks.....	74,844	73,771	72,652	71,444	††71,147
Commercial and agricultural loans, reporting member banks.....	21,442	21,219	20,872	17,801	††9,221
U.S. gov't and guaranteed obligations held, reporting member banks.....	32,582	32,115	31,524	33,854	††49,200
Total federal reserve credit outstanding.....	25,745	24,980	24,745	21,864	23,883

MONTHLY FIGURES OF THE WEEK

	Latest Month	Preceding Month	Year Ago	1946 Average
Bank debits (in millions)..... November.....	\$132,140	\$139,209	\$123,541	\$87,502
Retail sales (seasonally adjusted, in millions)..... November.....	\$12,390	\$12,553	\$11,767	\$8,541
Wholesale prices (U. S. BLS, 1926 = 100)..... November.....	178.3	178.1	171.7	121.1

*Preliminary, week ended Dec. 22.

††Estimate (BW—Jul. 12 '47, p16).

N.A. Not available at press time.

§ Date for "Latest Week" on each series on request

† Revised.



HOW TO PREVENT ACCIDENTS — WITH PANCAKES

A skilled pipefitter, Joe somehow was always getting hurt. One day he would cut his finger; the next, he would bruise a hip. As accident followed accident, lost time mounted for Joe and production of the shift fell off. The plant safety engineer could do no more.

The solution

But Miss Archer, the plant nurse, suspected the cause of the accidents might be in Joe's home life. Talking to him tactfully she found that Joe was coming to work without breakfast. His alertness and stamina suffered. When Joe was persuaded to eat a good breakfast, his accidents stopped.

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Liberty Mutual has helped hundreds of policyholders set up effective, accident-reducing Industrial Medicine facilities on a full or part-time basis. But Industrial Medicine is only one highly specialized phase of Liberty Mutual's comprehensive

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Industrial Engineering to eliminate physical and mechanical hazards, establish safe methods and practices.

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WASHINGTON OUTLOOK

WASHINGTON
BUREAU
DEC. 29, 1951

A
BUSINESS
WEEK
SERVICE

Spending, taxes, controls, scandals—these will be the hot issues when Congress comes back Jan. 8. You can look for a rough session. With a bitter Presidential campaign ahead, party politics will dominate. Both sides will be playing for keeps.

Here are a few points to keep in mind as the session begins:

It's the same old Congress, which means it can get down to work without any time-taking organization job.

Bills don't have to be started anew. Those pending last October when Congress quit can be picked up right where the legislators left them.

It won't be a short session. Talk is of a July adjournment, ahead of the conventions. But that seems too optimistic. Controversies will slow the session. A convention recess, with adjournment delayed until the fall campaign season, is a much better bet.

Truman will start the ball rolling. He will outline his program in three early messages—state of the union, budget, and economic report. It will be keyed to defense, peace, and prosperity. The Fair Deal will be the main dish, not because Truman expects Congress to vote it now, but because he wants the issue for the coming political battle.

The budget will be huge. The amount asked for defense in fiscal 1953 (which starts next July 1) will be down a few billions from this year. But actual spending, the cash paid out, will run much higher.

Spending will be in the neighborhood of \$80-billion. Of that, \$60-billion goes for defense—for our forces and those of our allies.

The deficit for fiscal 1953 will be in the range of \$10- to \$15-billion. The ceiling on the public debt—currently pegged at \$275-billion—may have to be raised to cover it.

Truman will ask new and higher taxes to cover the huge deficit or at least reduce it. The decision on what to ask hasn't been made. But the Treasury is prepared now to submit a \$10-billion boost.

Will Congress vote a big rise? Election year odds are against it. But it's too soon to be sure. Congress will face a difficult choice and may prefer the risks of still higher taxes to the danger that a big deficit will bring disastrous inflation.

Guns vs. butter: Congress likes the idea of a fast defense buildup. In times like these, preparedness is popular with the voters back home. So mobilizer Wilson and the Pentagon will constantly be goaded to hurry the pace. But this won't mean a major change of policy. An all-out effort would choke off civilian hard goods and starve the businesses producing them. When Congress is faced with this, it will go along with guns and butter. Nevertheless, there'll be less butter before there's more.

Controls will be continued. There's little disposition in either party to let them expire next midsummer. But there'll be changes.

For price ceilings, another Capehart-type amendment is in prospect. Under it, the Office of Price Stabilization would have to let manufacturers and others add on cost increases since last July 26.

WASHINGTON OUTLOOK (Continued)

WASHINGTON
BUREAU
DEC. 29, 1951

Tighter wage controls will find considerable support in Congress. But it seems improbable that they will be voted. The unions are too strong.

On the materials front, the big effort will be to force the mobilization agencies to take better care of small business. You may get legislation on this.

Taft-Hartley repeal is out. Truman will ask it, for the record, even if it is his biggest weapon against defense-delaying strikes.

Government medicine, another Fair Deal promise, will be recommended, but has no chance of getting through the 1952 session.

The Brannan Plan for farmers is another dead duck. But price supports will be reenforced if farm prices threaten to turn soft.

Aid to education will remain bottled up. It raises a religious issue that Congress won't want to tackle in an election year.

Civil rights legislation also is dead. Truman will back his fair employment plan, but lacks the strength to get it across.

Delivered pricing: The Senate-approved bill to permit its revival has a fair chance of getting through. But Truman may veto it.

Rainmaking won't be controlled in 1952, though it will be eventually.

Tidelands oil legislation has a pretty good chance. Time is adding to the pressure to settle this state vs. federal issue.

Postal rates won't be raised again, although Truman will propose it, using a \$500-million postal deficit as justification.

State relief rolls: Congress won't repeal the new law that permits local authorities to open them to inspection if they wish.

New TVA's have little or no chance, even if tagged "defense." And that goes for Truman's favorite, too—the Missouri Valley Authority.

A uniform statute of limitations for antitrust violations is a possibility. But it's far short of being certain.

On scandal in government: Truman would like to see Congress drop out and let him do his own house-cleaning job. But Congress won't buy this. Its committees will keep digging to avoid any whitewash.

As to the political consequences, it's too early to be positive. Truman may be able to avoid any general uprising by the nation's voters. But the situation is bound to favor the GOP.

Taft is in front in the hunt for Republican convention delegates. He has a hard core of about 450—though that's well short of a majority.

Eisenhower's backers are confident—confident he will run and that he will outpull Taft in the convention. It's encouraging to them that Taft, with an open field, can't get things buttoned up.

On the Democratic side, the big question is whether Truman will pull out. Up to now he has acted like a candidate, despite unpopularity in his own party and irregularities in his administration. But the party can't dump him. Truman will be the candidate if he wishes.

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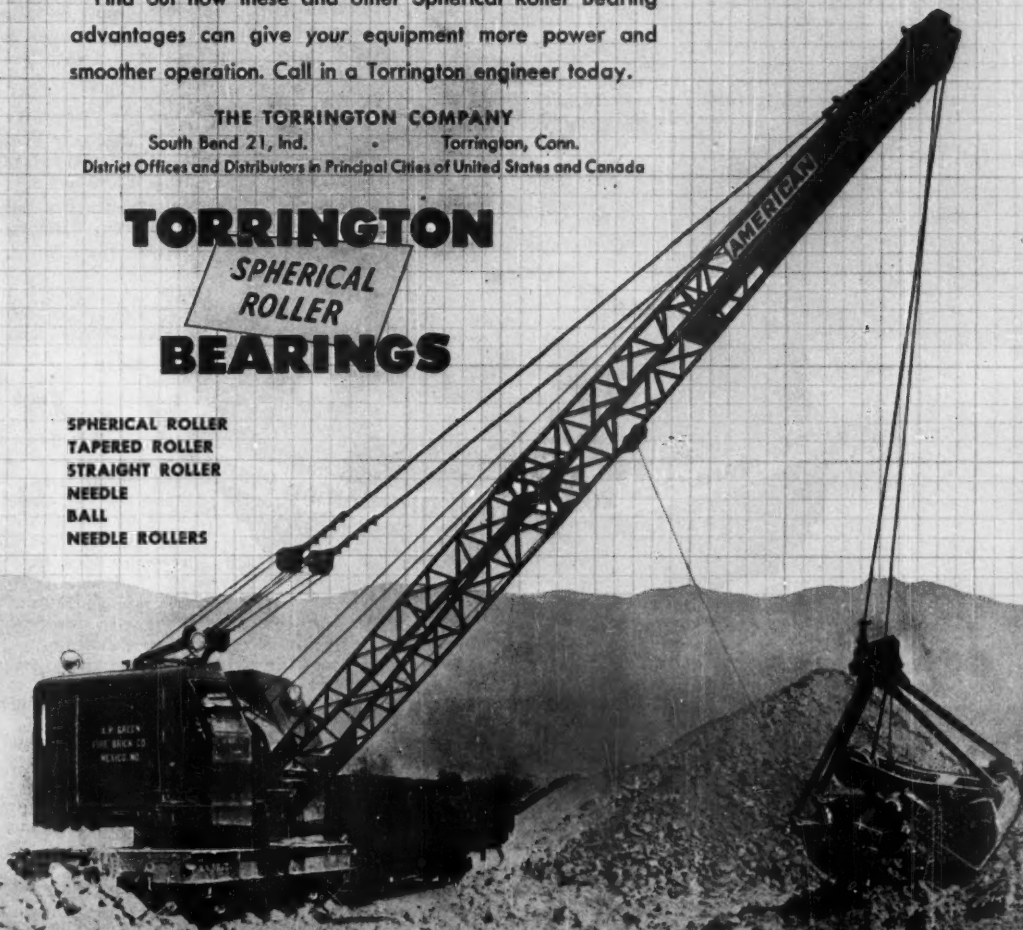
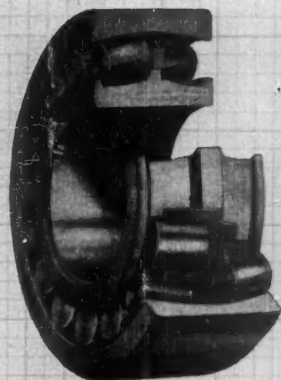
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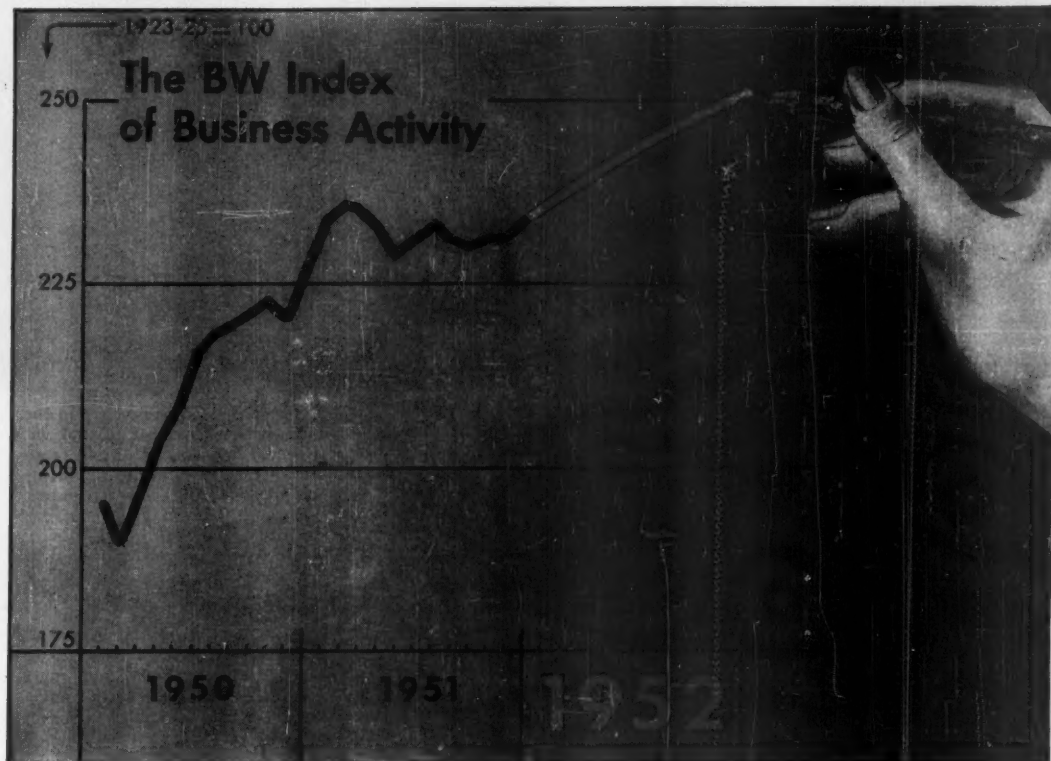
*Name on request



THE TOUGH JOBS GO TO TEXACO

TEXACO
INDUSTRIAL LUBRICANTS





BUSINESS activity* can hardly go anywhere but up next year. For all the signs indicate 1952 will be . . .

The Year Mobilization Takes Hold

Most people had a pretty definite idea what 1951 would be like. It wasn't like that—at all.

But 1952 will be.

At least superficially, the shape of 1952 is likely to be very much what most people expected 1951 to be. This week you could pretty clearly see that:

- Over-all business will be rising; the real upswing in munitions output is only now starting. The next few months will bring a jump.

- The manpower squeeze finally will become a reality.

- Rising consumer income will encounter a dwindling supply of goods; the inflation potential of this, plus the unusually large volume of saving over the last nine months, is clear.

- Spending patterns will change. There will be fewer autos, TV sets, and

refrigerators; soft goods, notably foods, will be the gainers.

- **Differences**—Yet there will be significant differences from what had been foreseen for 1951. Some of these arise from the very fact that 1951 did not pan out as expected. And it will be these differences that you should watch.

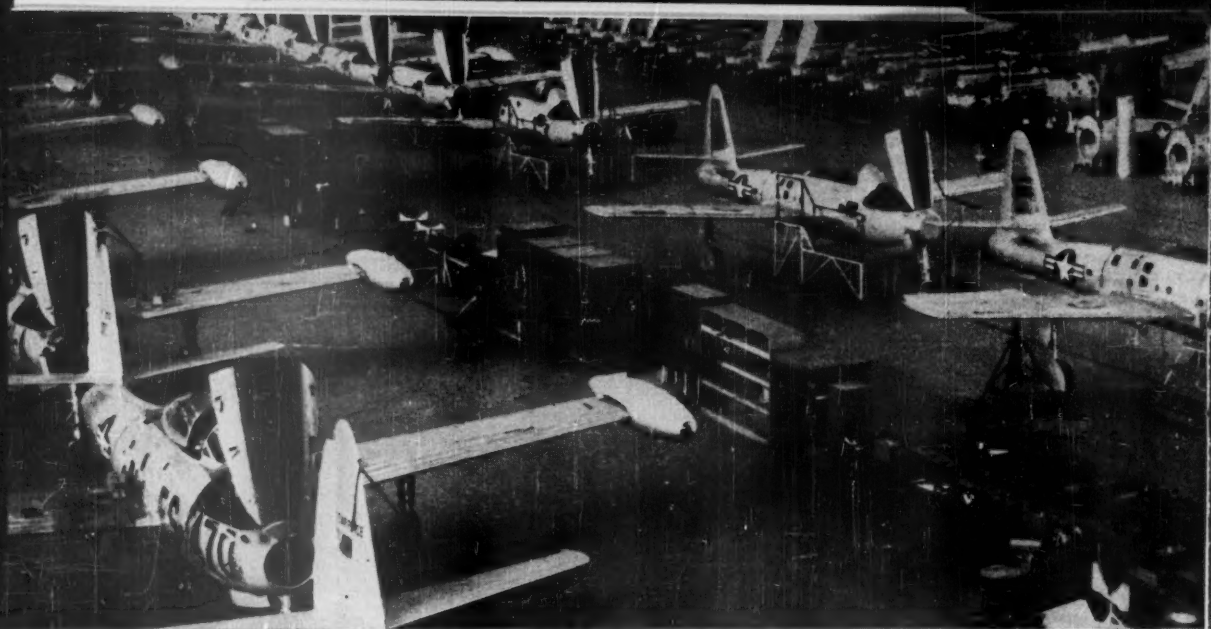
Perhaps the most noteworthy difference will be in civilian supply. If arming had gone forward at breakneck speed in 1951, disruptions would have been huge. But, in 1952, we will be able to handle this job more easily. Much of the conversion upset is behind. Much has been done in the way of enlarging capacity and adding labor-saving modernization. We have fairly large inventories, accumulated during the slack of 1951.

Another difference will be psycho-

logical. The need for getting the mobilization job done—always barring deterioration in foreign affairs—seems less urgent than it did a year ago. That weakens controls.

Finally, there is the political difference. In an election year, more heed is paid to expediency, less to the hard realities. If income taxes pinch spending this spring, giving things the temporary appearance of a recession, money will probably be eased. Small business' pleas for more liberal treatment will be strengthened. There will be even less tendency to hold the line on wages. There will be resistance to holding any rein at all on farm prices.

- **Problems**—New problems loom for management men all along the line—in labor relations, in finance, in marketing, in production. The financial officer of a



corporation may know the problems of his own field. But this year that isn't enough. He may also need to know what changes are being made on the production line—a raw material substitution, perhaps—that might necessitate a larger investment in inventory.

To pinpoint such matters and throw them into proper perspective, BW's departmental editors prepared the following surveys of their special fields.

I. Defense Production

Weapons output will continue to swell during 1952. The tooling stage of mobilization is well along. The pace will climb until it peaks in mid-1953.

Deliveries of weapons this month were running about \$1½-billion; they will double by spring. You can figure on a slower but steady rise after that to a probable peak of \$4-billion a month by the middle of 1953.

Orders, on the other hand, will probably hit their top by this coming July—around \$6-billion a month. A year from now, order letting may be down to a \$4-billion monthly rate with further tapering in 1953.

Most of the procurement money will go for major items such as tanks, ships, planes, and construction. But the chances are that aircraft deliveries won't loom large until late next year.

II. Capital Expenditures

Investment in industrial plant and equipment will roll on at its record high annual rate of about \$25-billion well into the new year. This, with a rising arms outlay, will continue to bolster the level of business—just as this same com-

bination warded off a recession in 1951.

But just about the only industries still expanding their planned outlays now are those with defense or defense-supporting priorities. (And even in this group, shortages of materials and tools are pushing completion-dates further away.) To make way for top-priority expansion, commercial building already has been cut in half.

There'll be a shift next year in what companies buy with their investment dollars. The drive up to now has been to get new building up rather than to convert production lines from civilian goods. With an increasing percentage of the new buildings finished, spending emphasis shifts to equipment. About \$2 go for equipment for every \$1 spent on the building itself.

Soaring demand for machine tools, materials-handling equipment, and other industrial machinery—plus the rising production of hard goods for the military—will carry the capital goods industries to levels well above 1951. The limit on their output, even more than this year, will be availability of skilled hands and materials.

III. Labor Relations

Nobody expects the present steel dispute to last very long. But the very factor counted on to bring it to a quick end becomes a seed for some serious labor trouble in 1952.

The steel dispute will be settled by a sizable wage increase; it will be a pattern other unions will try to "improve" or at least duplicate.

In many lines of business, a pay boost meeting steel's will be bitterly resisted by employers. Ability to pay is, and will

be for some time, too uneven. On the average, lines like chemicals and aircraft should find no difficulty in meeting the steel pattern; but the primarily civilian metalworking industries cannot easily absorb whopping increases in labor costs.

Secure islands of stability should be found in the auto industry and others that have the cost-of-living escalator in their contracts.

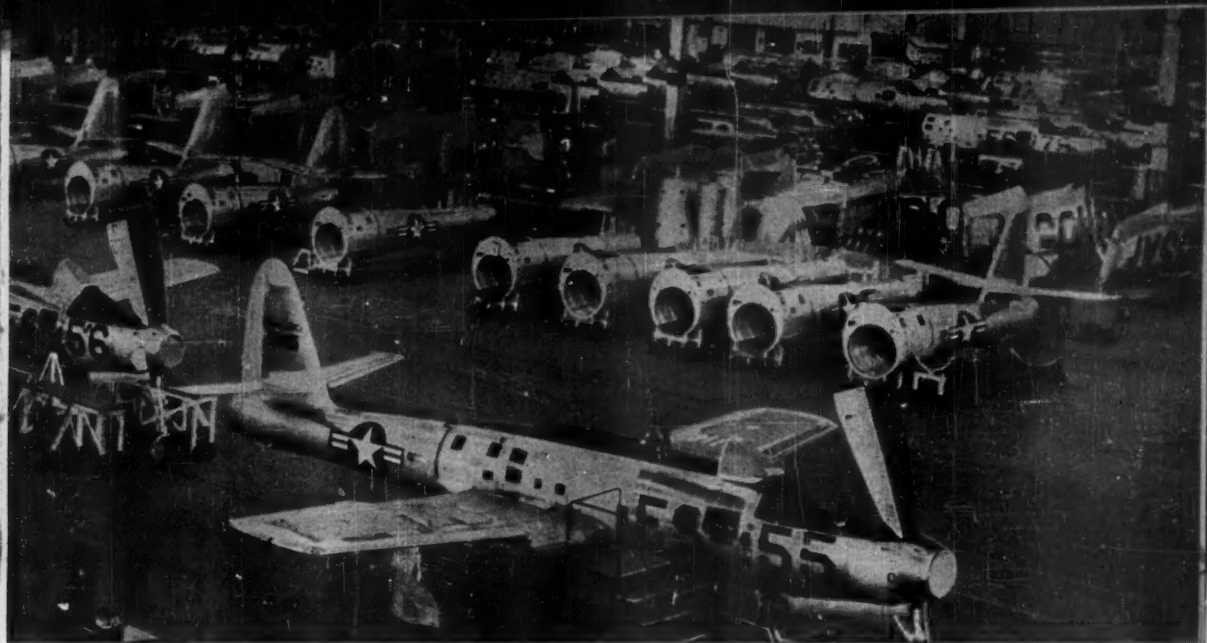
Federal wage controls will be brought into line with realities. The employer who looks to the Wage Stabilization Board to tell him he can't meet union demands will be disappointed. The year ahead will see WSB "rationalizing" a series of retreats on the wage front. It has made its choice between strikes and flexibility: Flexibility wins.

There's irony in a course that will bring weakened wage controls and, at the same time, strikes. But that's the way it looks now—both the wage curve and the strike curve rising fairly sharply in 1952.

IV. Finance

Heavy demand for both temporary and permanent capital will continue at least through the first half of 1952. Capital expansion rolls on at its record rate, at the same time that business has to pay 70% of its taxes on this year's income in the first half of 1952. Retained earnings and depreciation reserves aren't going to provide enough money to meet plant-and-equipment bills; and the accelerated tax payments may necessitate stopgap borrowing, due to the way business' liquid assets have been dwindling.

Over-all, there is today's high cost of



doing business to bolster the demand for new money.

But new money isn't going to be any too plentiful. Life insurance companies, for example, won't want to toss government bonds on the market to get funds to lend to industry—not when governments are selling well below par. Besides that, a large part of the funds they do take in over the months ahead already has been spoken for.

Borrowing costs still point higher. Only last week New York banks added $\frac{1}{4}\%$ onto the cost of their prime loans. In the bond market, it's the same story; an issue that could have been sold on a 2.65% interest cost a year ago now goes on a 3.25% to a 3.35% basis. Even the stiffening in money rates that has taken place may not fully measure the potential effect of the Federal Reserve's removal of support from the market for Treasury issues.

• **The Market**—Stock prices look as if they were having their traditional rise through mid-January. Beyond that, prediction isn't warranted.

The cost-price squeeze on corporate earnings will tighten, if anything, over the next year. Payment of dividends as large in 1952 as in 1951 will run many companies pretty low on cash. This will heighten the selectivity of the market—the shopping for companies whose earnings and dividend prospects are brightest.

V. Marketing

Retail sales should be very satisfactory in 1952. Rising consumer income should take care of that.

But the composition of the sales total will be greatly affected by availability

of goods. And income patterns will be changing; taxes knock down spending in the high brackets while full employment and availability of better paying jobs spread purchasing power in lower brackets. The continuing trend of workers from farm to city reflects the lure of higher wages.

Decentralization and the growth of industry in heretofore uncrowded areas such as the Southwest are redistributing population. And the drift from the metropolitan areas to the suburbs continues. Both will go on during this blackout on commercial construction—storing up a deferred boom in building new stores and amusement places to serve the new population.

Next year will see a continuation of the price-cost squeeze on the retailer. However, it may not be so bad as in 1951. Here's why: Historical markups may be applied to any price increases, and volume ought to be better than in 1951.

Food stores are likely to be among those making the best showings. Eating standards are likely to improve. The income that can't be spent for autos or other scarce big-ticket items will flow into soft goods.

Independents may do a bit better than chains under existing circumstances. Their markups are traditionally higher. And the independents have more flexibility, particularly in purchasing.

VI. Regional Patterns

The heavily industrialized area around the Great Lakes enjoys one of the rosiest income outlooks for next year.

There hasn't been much arms boom there yet, and there have been a lot of conversion and cutback pangs. Next year that will be changed. And as arms output gets rolling, employment and payrolls will rise (if the skilled manpower can be found; it already is hard to locate).

Detroit looms as a blighted area in all this plenty. Workers laid off in the auto plants (where there has been little or no tooling up for munitions) are very likely to be drawn to the labor-short spots such as Chicago or Cleveland.

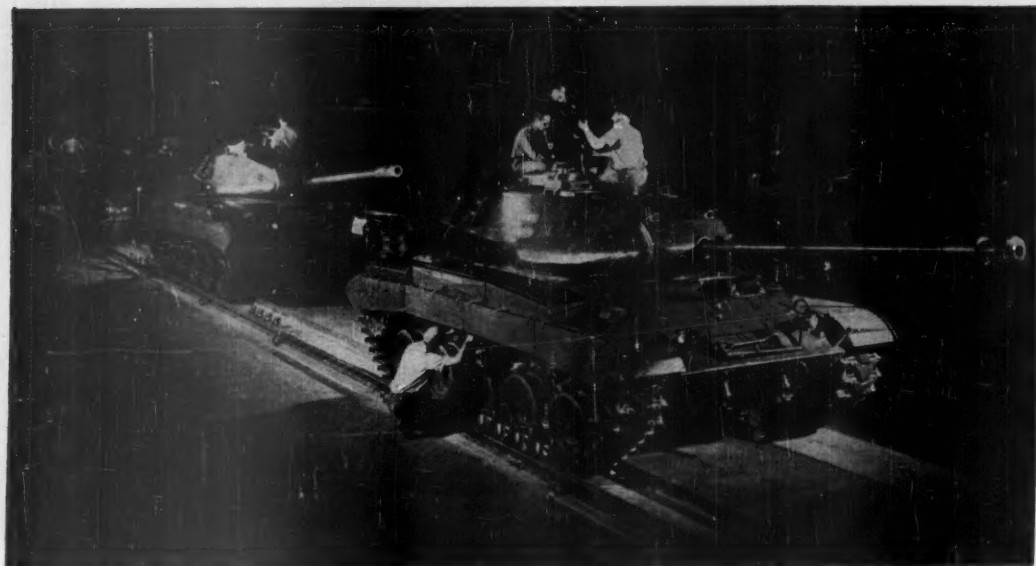
Industrially, the Southwest and the Far West should do very well—although perhaps not quite so well as the Great Lakes concentration. But even with the arms boom, the Northeast will fall a bit short of keeping up with the national average. Manufacturing in the Southeast will depend very much on whether the consumer's desire for such items as furniture, textiles, and apparel improves.

VII. Production

Executives who oversee production, on the whole, don't view 1952 as the year of big decisions. They took their beating this year—adjustments, shifts, turnabouts, and improvisations. Manpower and material problems they take, philosophically, as inevitable.

Plastics will be a gainer from the metal shortages. Supply has turned out to be much better than expected earlier. Injection molders find they can get almost as much polystyrene as they want.

Everywhere, the emphasis is on labor saving. Cutting the cost of materials



handling stays close to the top of the list. And the continued stress on "push-button plants" tells an unmistakable story of future peacetime efficiency.

Interest will be high in precision casting techniques such as shell molding (BW-Dec.15'51,p44). It's part of the drive to cut down the number of operations on a part. If, instead of machining six surfaces on a part, you can get them in one shot in a casting, you're that much ahead of the game.

But scarcity of tool engineers means that many potential labor-saving methods will come along more slowly than desired.

VIII. Materials Supply

Availability of materials next year will depend on (1) how fast the arms program is stepped up, and (2) how much civilian goods are cut back.

Things look pretty tight through the first half of the year in the CMP materials that regulate most production—steel, aluminum, and copper. By the second half of the year, however, expansion may begin to pay off in the first two metals. But additional copper from subsidized domestic mines won't amount to a great deal—by and large, it's still a long way off. The one way to boost supplies is to import more, and that is out of the question as long as prices abroad are well above the 27½¢-a-lb. ceiling on imported copper.

Steel's vast expansion should have mills eating into backlogs by midyear. Then, if enough scrap is to be had, it's just possible that there will be enough to go round by next Christmas.

Aluminum's expansion, percentage-

wise, is much larger than steel's. But the needs of the biggest customer—aircraft—are big, too.

Scarcity of tin is a shortage amid plenty. Our government is out of the market until a price deal is driven with producing nations. There is plenty in sight.

Lead supplies should improve.

Prices of raw materials are likely to go up in 1952. The metals would go up now if ceilings were to be lifted. Commodities other than metals stopped dropping a good while ago. That is enough to make it likely that the next move of importance will be higher.

IX. Business Abroad

Both exporters and importers will do a good business in 1952. Imports are expected to reach record levels. Exports may drop \$1-billion below the 1951 total, but they still will be much higher than pre-Korea. The trouble is, though, that mobilization rather than commercial considerations are the dominant factors.

U.S. demand for foreign products is lifted by the need for raw materials, particularly metals. Imports are likely to rise, by mid-1952, to an annual rate of \$13-billion or \$14-billion. At mid-1951 the rate was \$12-billion; before Korea it was \$7.6-billion.

Exports of civilian goods probably will drop at least \$1-billion next year. We can't spare much, and dollar shortages abroad beggar the buyers. If Britain has its way, the sterling area will lop \$500-million off its buying from the U.S.

Military aid will rise from the pres-

ent annual rate of \$2-billion to about \$4-billion. That would bring total exports to about \$18-billion.

X. The Washington Scene

Election politics will color almost every nonmilitary government action during next year—at least until November.

At the outset, the President will get his cleanup commission going to try to restore confidence in his administration—to try to give the voter a cleaned-up government by Election Day.

Congressmen, seeking political advantage for themselves and for their party, will keep the probes at fever pitch. Only a start has been made on the headline-making misdeeds and crimes within the Administration.

Little legislation that is not needed for defense will be seriously considered—perhaps some new regulations on transportation, trying to make the railroads a bit healthier; maybe a solution, finally, to the title of offshore oil lands.

The Defense Production Act must be extended, and money must be voted for defense.

Tightening government production controls will make it progressively tougher for industry during 1952.

It won't even be easy to handle defense business. Tool and machinery snarls will tie up much production. The new production and delivery schedules, now being worked up by the armed forces, will delay many orders now on the books. And there will be much more rigid government ground rules on how to handle what civilian output you are permitted.

Mobilization Puts First Things First

● The mobilizers found they had piled on too much at once: Industrial capacity was sagging under the load; competition for tools and materials was stalling output.

● Now the base will be narrowed. Production will be rescheduled so that only a few plants tool up at a time.

● Critical items such as jet aircraft will get ironbound priority; they'll operate without competition.

Last week a midwestern manufacturer was told to drop work on a contract for bolts with a certain type of thread intended for Army trucks. Washington wanted him to shift his machines to a different thread to be used in jet engines.

He wasn't the only one—and he won't be the last—to have this experience. For the nation's top planners have decided to reschedule the entire armament program. The purpose: to speed up production of critical items, which have been lagging because less critical items blocked the way.

• **Big Mouthful**—The problem that led to this rescheduling was basically this: The U.S. bit off more mobilization than it was prepared to chew. As a result, a heavy overload began piling up on the country's industrial capacity. The mobilization bosses had tried to get too much at once—not just all types of weapons, but more steel, more machinery, and more of everything else that was needed to back up bigger military forces.

They got a lot of weapons and a lot of new plants and equipment—finished and under way. But they didn't get enough of the highly critical items—jet aircraft, tanks, guided missiles, to name a few—of new plant and equipment to produce them. Instead, bottlenecks held up these items, partially because less urgent defense items competed successfully for materials, machinery, and manpower.

• **Change of Tactics**—Now Washington is trying a sharpshooting technique instead of using a shotgun. It will concentrate on a few badly wanted weapons at a time, to get production rolling on a plant-by-plant basis.

This will mean juggling of plans by more than just those producers now working on military contracts. It means that the businessman preparing to make bolts, gears, bearings, or some other component for a noncritical defense item will be told to drop—or defer—such orders. Instead, his instructions will be to turn out parts for aircraft, tanks, or some other top urgency item. And any company expect-

ing to build a new plant for such production may lose its contract to a firm that can fill it with existing facilities.

• **Guns and Butter**—This doesn't represent a change in mobilization boss Charles E. Wilson's dual economy, guns-plus-butter policy. Rather, it's a shift in tactics for handling the guns, rescheduling their production in detail on a first-things-first basis.

True, one result should be more guns at the expense of butter. But that's because stepped-up production of weapons will chew up more raw materials. To a considerable extent, these materials will have to come out of the supply now available to civilian production. But, so far, there's been little military vs. civilian competition for materials because of the low level of weapons output. And the Wilson policy has been, and remains, to keep the butter side of the economy rolling at maximum output until its materials are needed for guns.

Author of the switch in military production tactics is Wilson's top assistant, Clay P. Bedford, executive vice-president of the Kaiser-Frazer Corp. For the last six months he's been Wilson's chief bottleneck buster. In January he will go to the Defense Dept. to serve Secretary Lovett in a similar capacity.

Bedford will work closely with two new appointees to top posts in the civilian controls agencies. William L. Campbell, former vice-president of Food Machinery and Chemical Corp., is taking over one of Bedford's more important previous jobs: As head of the Defense Production Administration's Production Executive Committee, Campbell will see to it that availability of machinery and components is geared to Bedford's schedule of military end-item production. And Alfred E. Howse, another assistant to Wilson at ODM, will have the same kind of responsibility for raw materials. Howse, a Kansas businessman, will head ODM's new Procurement Policy Board.

• **Action**—Bedford's plans for a pinpoint attack on specific production bottlenecks have already been put into

operation, at the Defense Dept. itself and in the civilian controls agencies.

He has forced the brass to set up a realistic system of priorities for production programs. In the top bracket are a handful of items such as jet aircraft, atomic weapons, tanks. Naturally, the priorities will change, as production bottlenecks are broken and new critical requirements develop. But not even the top priority programs will be permitted to compete with each other.

Take aircraft, for example. Instead of parceling out jet engine contracts to a dozen manufacturers, as in the past, the mobilizers will let only one plant tool up at a time. Tool orders for the other 11 plants will be deferred until the first is ready. Then the second plant will be prepared, and so on.

• **Narrowing Down**—And for a time, too, the broaden-the-base policy—get contracts into a large number of plants on a one-shift-a-day basis rather than into a few plants producing all-out—will be given up.

For example, a contract for tank gears will no longer go to a manufacturer who has to build a new plant or completely convert his present facilities. Instead, the mobilizers will look for a gear maker supplying the auto industry who is not using all his equipment because of cutbacks.

• **Getting the Tools**—Bedford has also started gearing up the Defense Production Administration to help with this job. (He's a deputy to DPA boss Fleischmann in addition to his other posts.) DPA's new Facilities Review Board now is scouring the country to find facilities idled, or soon to be idled, by restrictions on consumer production. The board, together with Defense Dept. experts, will then try to work out means of putting military orders in such plants. Where some conversion is necessary, tools and equipment that have been ordered for an entirely new defense plant will be diverted into the partially prepared ones.

Bedford knows that the biggest barrier to military production, particularly on critical items, is the machine tools shortage. So he has tried to gear the military's priority list to present and foreseeable availability of tools. And that's the basis on which military services are now reordering their needs, shifting delivery dates to avoid competition for tools and, to a lesser extent, for components.

Contracts that don't compete with military priorities for tools and parts won't be touched: for example, an order for bolts of a type not needed for other priority weapons and for which the manufacturer needs no new tools.



ECONOMIST M. A. ADELMAN

Big Companies Aren't Taking Over

No—big business isn't about to take over the U.S.

That's the finding of M. A. Adelman, economist at the Massachusetts Institute of Technology. It comes after almost two years of study of economic concentration. Results have just been published at Harvard in *The Review of Economics and Statistics*.

"The concentration of economic power" is a much-loved and long-enduring phrase in Washington. Often as it is used, it's seldom explained.

Adelman set out to focus on it all the light that can be collected. And he aimed to answer, as well as this generation of economists can, the key question: Is the concentration of economic power increasing?

• **Highly Concentrated**—The fact is that U.S. industry is highly concentrated. The largest 200 employers in U.S. industry account for one-fifth of all employees in private nonfarm establishments and for one-eighth of the total civilian labor force. Together, the largest 200 hold between a fifth and a fourth of our income-producing wealth.

But Adelman feels that you have to live with the facts as they are. The simple arithmetic of the problem would stump anyone that wanted to deconcentrate industry. "If anyone went so outlandishly far as to take the thousand biggest companies and break them each into ten parts, they would still be left with a highly concentrated economy."

• **Getting Bigger?**—The big question—now that the U.S. is again in a mobilization economy—is whether or not the

big companies are getting a lot bigger at the expense of small companies.

Attorney General J. Howard McGrath officially threw the argument into the open a little more than a year ago. He submitted a report to the President and to Congress on the "dangers to a competitive enterprise economy that are inherent in mobilization."

The McGrath report warned against a repetition of what happened during World War II. On the basis of Federal Trade Commission figures, the report said, "during the last war the long-standing tendency toward economic concentration was accelerated."

Adelman explodes that conclusion with facts assembled from six independent studies, most of them done under government auspices. The studies indicate that smaller companies earned a higher percentage of profit after taxes, grew faster than the big companies, and showed a larger percentage increase in their stockholders' equities. The conclusion: There was "a slight deconcentration during the wartime period."

And Adelman buttresses his points by pointing to some illogical hopscotch in the study on which McGrath's report was based, a study that Adelman feels resembles "warmed-over fiction" rather than a serious survey of facts.

• **Longer Look**—Taking a longer view, Adelman surveys information on U.S. industry going back a half-century and more. He tried to measure the trend—was industry becoming more concentrated—and avoid the long-standing controversies as to just how great is the

● Is big business in the U. S. getting bigger—and little business littler?

● Did World War II promote a greater concentration of economic power?

● An M.I.T. economist surveys the record going back a half-century and more and comes up with some sharp answers.

● The evidence points to a decline—not an increase—in concentration over the long run. That seems to hold true for the World War II years, too.

● And the wave of mergers since 1945 hasn't been enough to change the picture very much.

● So—though industry is highly and unevenly concentrated . . .

degree of concentration. And Adelman concentrates on the manufacturing industries—partly to avoid the complications brought on by the Public Utility Holding Company Act of 1935. Under it, of course, the government has put through a massive deconcentration of the utilities.

The figures, as Adelman has assembled them, indicate there has been a substantial decrease of concentration in manufacturing since 1901. As Adelman cautiously phrases it: "The odds are better than even that there has actually been some decline in concentration."

• **Mergers Small**—Adelman also took a look at mergers. He drew a bead on the Federal Trade Commission's 1948 report that wound up by stating "... If nothing is done to check the growth in concentration, either the giant corporations will ultimately take over the country, or the government will be impelled to step in. . . ."

Citing the findings of Harvard economists J. Keith Butters and John Linter, Adelman concludes that mergers between 1940 and 1947 had little or no effect on concentration. Certainly, the impact of mergers on the economy recently has been negligible compared to that of the great "combinations" that came after the Civil War and that resulted in the Sherman Act, the original antitrust legislation. There were other waves of mergers before and after 1900—waves that cannot be measured statistically with precision, but that were of extraordinary size. And

nothing like these mergers between giants has been seen since.

• **The Twenties**—The last significant wave of mergers, Adelman points out, took place between 1924 and 1929. In comparison, the relatively weak merger movement following World War II had little or no effect on concentration. In fact, the increase in total assets of all corporations after the war was more than 10 times the amount involved in mergers.

So, as Adelman sees the picture, the FTC has been doubly wrong. There has been no increase in concentration, and mergers have not been important enough to be of any effect.

In short, Adelman finds that, "Concentration may be a problem, but for better or worse it is not threatening to engulf the economy."

And on the basis of his facts, a lot of easily repeated savings are going to have to be dropped. You can toss it off when you hear someone refer to "the growth in economic concentration," or say that the "forces of concentration are growing stronger by the hour." The moral Adelman finds in the facts is simply that we have time to stop, look, and take thought.

But Adelman has a far more penetrating point. He approaches questions of national policy as a scholar—with a let-the-chips-fall-where-they-will attitude. And he stresses the conclusion that we simply don't have enough figures or good enough techniques in measuring concentration. In fact our knowledge of the whole structure of industry is depressingly scanty. We simply don't have enough facts to lay out precise policies for handling the problem of concentration.

Adelman puts it this way: "Not only are the most important basic data not available; we have scarcely even begun to decide what questions we want answered."

Adelman's findings haven't been—and won't be—a shock to Washington. What counts on Capitol Hill is the politics, not the economics, of the case. Basically, most Congressmen would rather not have to vote on a merger bill. But when the sponsors of a bill maneuver them into voting, they don't dare vote for mergers.

The economists, moreover, are often dedicated to a mission. Both government and independent economists will admit to each other privately that neither side has the facts to prove its position on many questions of anti-trust policy. But, as one Washington old-timer put it, "These people have a mission in life—one to push for more government action against mergers, the other to knock holes in the antitrusters' theories."

"And you expect them to be logical?"

DETROIT THINKS the government will let it make 4-million cars next year... but not all car-makers will fare the same:

1 The "Majors" will get a smaller share of the market than they're accustomed to:

	'49	'50	'51	1952	(No. of cars)
	(Percent of total cars produced)				
General Motors	43.04%	45.70%	42.57%	41.00%	1,640,000
Chrysler	21.92	18.01	23.06	21.43	857,200
Ford	21.03	23.33	21.75	21.00	840,000

2 The "Minors" on the other hand, will get a bigger slice than usual:

	'49	'50	'51	1952	(No. of cars)
	(Percent of total cars produced)				
Hudson	2.78%	2.14%	1.73%	2.93%	117,200
Kaiser-Frazer	1.13	2.20	1.78	2.47	98,800
Nash	2.78	2.84	3.00	3.45	138,000
Packard	2.04	1.08	1.43	2.09	83,600
Studebaker	4.46	4.02	4.13	4.13	165,200
Willys	0.65	0.57	0.56	1.21	48,400

PERCENTAGE of probable metal allotments for cars in 1952 shows how NPA is...

Whittling Autos' Big Three

Independents are getting relatively more metal for cars than the big boys—to keep them in business.

Detroit's Big Three are howling like banshees over National Production Authority's allocation of metals for automobiles in first-quarter 1952. Independent manufacturers are getting proportionately more than their shares, on past performance, and it's coming out of the big boys' hides.

NPA officials say the independents have to get a bigger slice in order to stay at a profit-making level. GM, Chrysler, and Ford retort that some of their smaller competitors couldn't even sell everything they were allowed to build in 1951 and ought to be cut back further in the coming year.

• **Civil War**—The Big Three aren't just unhappy about the independents; they don't even like the way they're treated in relation to each other.

Chrysler figures it should be at least a percentage point ahead of Ford in sharing the market (chart). GM harks back to prequota records showing it did as much business as its two major competitors combined, and it can't understand why its allocations don't reflect that position. Ford, too, thinks it ought to be allowed to shoot at a bigger percentage of market.

• **Special Cases**—One big problem, of course, is special situations affecting a

given year's output. Chrysler, for example, was shut down for three months by strikes in 1950; some account has to be taken of that in looking over historical averages.

Then, too, there are new lines of cars to be considered. Nash is getting extra metal for its recent line of Ramblers. Willys-Overland rates additional tonnage for its new Aero Wing passenger cars, coming out next month. Kaiser-Frazer's allotment has to be adjusted for the long shutdown the company had in 1951 before the Henry J. was introduced.

• **Nobody Happy**—Though the independents tend to fare better—in the eyes of the Big Three, at least—they aren't wholly satisfied either. They're still asking for more.

It all adds up to some stormy sessions behind closed doors at NPA. And in view of all the pressures at work, you can't take the 1952 projections in the chart as final. The figures for the coming year are based on multiplication of first-quarter allocations. As the year shapes up, these figures may vary very well. But the odds are that the smaller producers are still going to get somewhat better treatment than the larger ones.

Taconite Plants...

... will get a fast tax writeoff as new source of iron ore. DPA's aim is 15-million tons yearly.

Promoters of taconite processing plants as new sources of iron ore have tried for 18 months to squeeze under the mobilization tent. Last week they finally made it.

What turned the trick was DPA's new steel ingot target for 1954 of 123-million tons of capacity certified for fast amortization. Enough of this certified capacity should actually be built to turn out 120-million tons that year—2-million more than the goal for 1953.

• **Fast Writeoff**—As part of the new goal, mobilizers said they would approve \$500-million worth of investment in processing plants for taconite—a magnetic rock in the Mesabi range, with a lean content of iron ore. They will grant a five-year tax writeoff for projects costing that much, in the hope of getting 15-million tons of iron ore a year.

So far, three projects are lined up. Furthest along is Reserve Mining Co. Reserve—owned by Republic, Armco, and National steel companies—has tried for months to get approval to spend \$105-million on a plant at Beaver Bay, on Lake Superior, 55 miles from Duluth. It expects to turn out 2.5-million tons of iron ore a year from taconite. Next in line is Eric Mining Co.—owned by Bethlehem Steel, Youngstown Sheet & Tube, and Interlake Iron Corp. It may ask approval of plant to turn out 6-million or 6.5-million tons of ore yearly, involving an investment of \$240-million or more. What's left of DPA's 15-million-ton goal—some 6.5-million—may go to U.S. Steel's Oliver Mining Corp.

• **Long Range**—This doesn't necessarily mean that the \$500-million worth of investment will start tomorrow. The law says that to get fast amortization you have to give a construction schedule to the government and pick up the privilege within the next taxable year. But steel men maintain that the proof of the pudding is in the eating. Their guess is that there will be 15-million annual tons of taconite capacity, but not until about 1960.

Take the industry's Mr. Big—U.S. Steel. Certainly, U.S. Steel is far from set now to do its portion of a 15-million-ton taconite program. It's now completing at Iron Mountain, Mich., a sintering plant that will agglomerate iron fines so that they may be shipped and charged. Next door U.S. Steel will shortly build another plant that

will process taconite so that usable iron can be drawn off, sintered, and shipped at various points in the process.

There should be nothing experimental about the sintering plant—that's been done for years. But the taconite plant next door is distinctly a pilot plant, without a very large capacity. And it's to prove, or improve, the process that U.S. Steel is figuring on for ore beneficiation.

• **Shooting High**—In setting the 1954 steel ingot target at 123-million tons, mobilizers may be shooting a little high. The new over-all goal includes an increase of some 3.1-million tons of blast furnace capacity over the 81.9-million tons reported in operation or being built Dec. 1, 1952. Capacity by byproduct coke ovens will be encouraged up to 84-million tons by the end of 1953—an increase of 10-million tons over pre-Korea capacity.

But even the mobilizers, themselves, admit that the new target may be based in part on some whistling in the dark. DPA acknowledges that 120-million tons is a more realistic figure.

• **Boiled Down**—What the 123-million-ton figure does mean is that certificates have been issued for that much capacity—including some plant that may never come. The same thing happened before—a year or so ago when big steel expansion was supposed to yield about 120-million tons. After the first big rush died down and it was possible calmly to calculate what all the certifications actually meant in new steel capacity, the industry pretty generally agreed that they boiled down to 117.5-million or 118-million tons.

This indicated a certain amount of stuffiness on the industry's part, of course, since it didn't take very seriously the proposed New England mill and the numerous proposals for electric-furnace plants everywhere. Nor did it include National Steel's Camden mill. National has bought a site for the plant, and some of the engineering work is done. The company still insists it will build the mill some day, but refuses to hint when.

• **Too Conservative**—Another factor to be considered is that some producers now are listing with American Iron & Steel Institute somewhat larger capacity figures than they estimated originally for given projects. U.S. Steel, for instance, now designates as a 1.8-million-ton expansion its rehabilitation program that took place between June, 1950, and January, 1951. Originally, it described it as a 1.664-million-ton program.

All this makes it seem pretty certain that with today's capacity, plus that to come in 1952, plus the National plant and the taconite yield, total capacity should amount to a little more than 120-million tons.

Miners at Sea

Lewis wants a "nonprofit" shipping line to ECA countries to eat up coal stockpiles. He probably won't get it.

John L. Lewis' plan to organize a "nonprofit" shipping firm to carry coal to Europe at cheaper rates probably won't get off the ground.

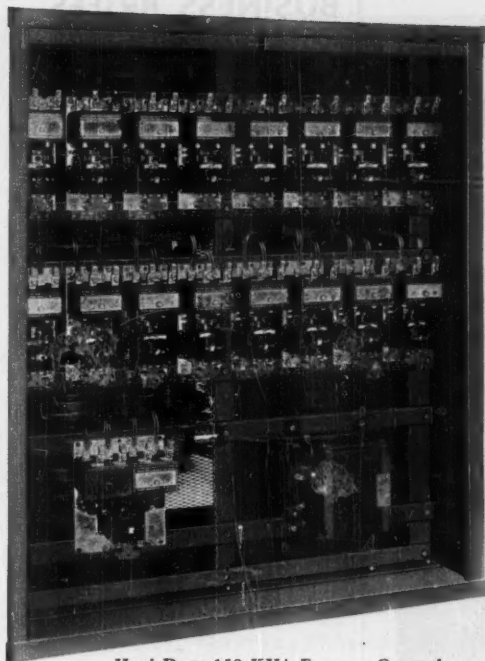
The basic plan proposed that the government charter laid-up Liberty ships to the new company to carry coal to Europe and Japan. Rates would be cut to the bare minimum, and the government would pay insurance costs on the vessels. Right now, shipping rates per ton of coal from U.S. ports to Europe range from \$10 to \$12. When you add in the price of coal, that brings the delivered cost per ton as high as \$25. Lewis figures he could cut delivered costs to less than \$20.

• **Philanthropy?**—Lewis pegged his proposal to a method of meeting foreign needs. Actually, there were a couple of other motives: (1) The plan would help reduce the U.S. soft coal stockpile of 76-million tons, thereby put Lewis in a better bargaining position; and (2) it would avoid any future loss of work to miners who are now on four- and five-day weeks.

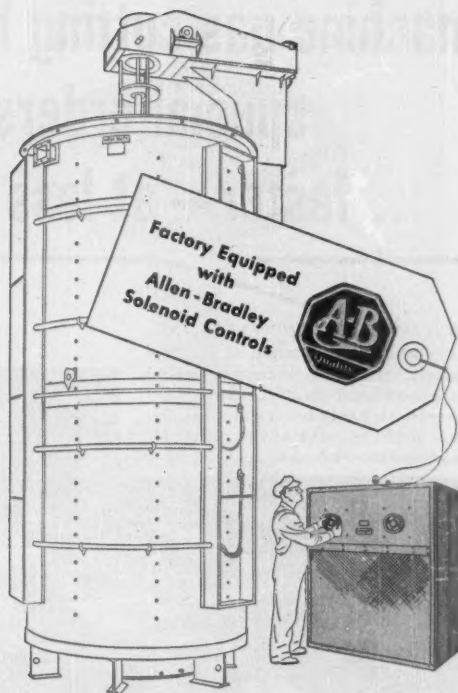
John L. and a committee of soft coal operators cooked up the plan some weeks ago. They tried it out on chief mobilizer Charles E. Wilson, who passed the buck to the State Dept. and ECA. Nothing happened, so Wilson's aides figured that the plan had died, until Lewis announced his scheme at a press conference. However, the mine workers-operators proposal hasn't taken on any official status. And according to shipping experts, it stands little chance of ever becoming a reality.

• **Experience Needed**—One reason is that you simply don't charter vessels from the government without a history of shipping experience, even if you are head of the United Mine Workers. The only vessels that would be available are in the laid-up fleet. These can't be sold—only chartered. Maritime is putting about 35 ships per month into active service—about as fast as they can be brought out.

• **According to Plan**—Equally to the point, the coal lift to Europe is already being met just about as fast as it can be. Loading facilities and crews are the limiting factors. A large addition of vessels from reserve fleets has sopped up the manpower pool of trained seamen. The National Shipping Authority is the largest single shipping agency hauling coal for ECA. It averages over 100 coal sailings per month.



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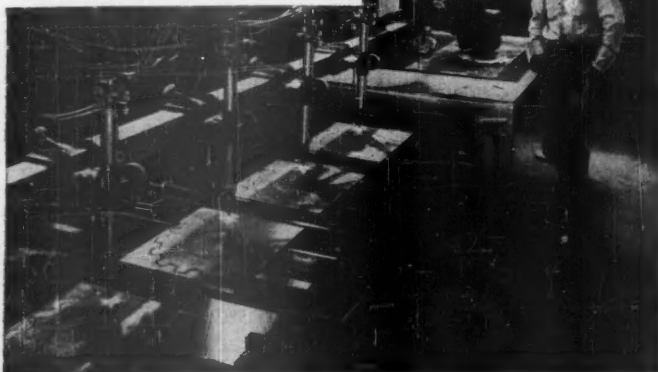
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Steel warehouse finds machine gas cutting helps fill special orders ...faster — at less cost

BRACE-MUELLER-HUNTLEY, INC., steel distributors in Syracuse, N. Y., noted a growing number of requests for special shapes from customers and decided it should equip itself to handle these cutting jobs. The result would be faster service to its customers and greater profits.



William Burkhardt, Airco Representative, was called in and he recommended machine gas cutting with an Airco No. 6B Oxygraph equipped with a four torch setup and an electronic tracing device.

The apparatus was quickly installed and put into operation. One-day service

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Company executives stated that the Oxygraph with the electronic tracing device enabled them to make additional profits and also to handle a wide variety of cutting jobs quickly and easily.

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BUSINESS BRIEFS



Buyers beat a path to the door of Lakewood Park, housing development in Los Angeles County, after it turned to a cooperative setup (BW-Jul.21'51, p.27). Lakewood started as an ordinary tract development, ran into trouble last summer when Regulation X stopped sales. Since switching to a cooperative, it has sold 2,319 units. Veterans pay \$195 down, others pay \$495. The latest unit of 172 homes sold out in four days; 900 new houses will be offered on Jan. 15.

Money in circulation broke an all-time record in the week ended Dec. 19, Federal Reserve reported. The total, \$29.26-billion, was \$100-million more than in the week ended Dec. 24, 1946.

Texas oil pumping is cut back in January for the third straight month. The Texas Railroad Commission ordered statewide production held to the equivalent of 22 producing days, one day less than in December. East Texas fields can pump only 19 days' worth. Texas production thus drops by 86,825 bbl. a day from the December pace.

Watch your Christmas lighter if you take to the air. CAA warns that cigarette lighters using fluid in a free state may leak at high altitudes and thus create a fire hazard.

Add college degrees: University of Southern California will offer spring students the nation's first degree of Bachelor of Science in Television. A new \$100,000 television studio goes into operation on the campus soon after the first of the year.

Competition for diesels on the rails comes from GE's new electric locomotive for mass production. It even looks much the same as the diesel-electrics that have all but cornered the railroad market.

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TRUMAN made a promise. WSB head Feinsinger and other Washington stabilizers are bound by it. That's . . .

Why Steel Isn't Struck

President promises Phil Murray that the union will get everything that's coming to it. It will mean a whole new wage policy and a new potential wage ceiling.

Last week Philip Murray solemnly announced that "only a miracle" could prevent a steel strike from beginning on New Year's Day.

This week the threat of a production stoppage was dissipated.

What had happened in the meantime?

• **Mobilizers**—At midweek the full answer was known to just four people: Murray and two other officials of the steelworkers' union in Pittsburgh, and the President of the U.S. taking a holiday in Independence, Mo. Before another 10 days were passed, it would be communicated to a larger group: Murray would be telling at least the key men in his union why he had reversed himself, and the President would have to let his stabilization command, Wilson (DPA), Putnam (OES), and Feinsinger (WSB), know just what was involved.

For the hard knot that had seemed certain to tie up operations of the steel industry was cut on Christmas eve—by a telephone call from Truman to Murray.

Carefully briefed by his advisers before he phoned, Truman—as only Truman could—made the bargain with Murray that the CIO was seeking. Here

is an approximate reconstruction of the colloquy.

Truman: "Just what do you expect to gain by a strike, Phil?"

Murray: "A lot of people think we're not really serious about our demands; a strike will persuade them we're not kidding."

Truman: "Who is it that isn't taking you seriously?"

Murray: "The industry. And some of your own men in Washington."

Truman: "You're dead wrong, Phil. I've just had reports from the people down here whom the industry representatives have seen. They are taking you very seriously. And my people—me, too—need no extra convincing. America just can't afford a steel strike now."

• **On Merits**—At this point Murray talked about some of the union demands. Truman listened, then said he hadn't studied the case sufficiently to discuss its points. "But," he said, "every single one of them is going to be considered on its merits."

Murray: "What about the wage policies?"

Truman: "You know me well enough, Phil, to know I'd never stand by a policy that was unfair or unjust."

Murray: "Is that the position of the Wage Stabilization Board and of Wilson? Some of my people are afraid we're going to get knocked down in Washington by gentlemen who want to be heroes to the editorial writers in the newspapers."

Truman: "You tell them not to worry. We'll do the right thing. You know that yourself."

Murray: "I can't ask you to commit the Wage Stabilization Board. But what will you do if the labor members are the minority in any decision on the steel case?"

Truman: "If that should happen, you come right to me, Phil. I'm telling you not to worry about getting a fair deal."

Murray: "Suppose the industry doesn't go along with the board's decision and we have to strike then?"

Truman: "You know the last thing in the world I want to do is use Taft-Hartley. But we can't have a steel strike now. Maybe then it will be different; Lord knows I hope so. But, Phil, I can't think of what's going on over in Korea and stand by and let a steel strike happen. I know you can't either."

Murray: "I think, you know, Mr. President, that the steelworkers are good, loyal Americans. If they strike, it's because they are driven into a corner and there is no other way out."

Truman: "I'm telling you, Phil, there is another way out. Take your case to the board. You'll have to do that anyway, whether you strike or not."

Murray: "I know that. And if you assure me that the board won't tie us down with their ceilings, and policies, and rules—and that they will decide on the merits of what we ask—why then I'll recommend calling the strike off."

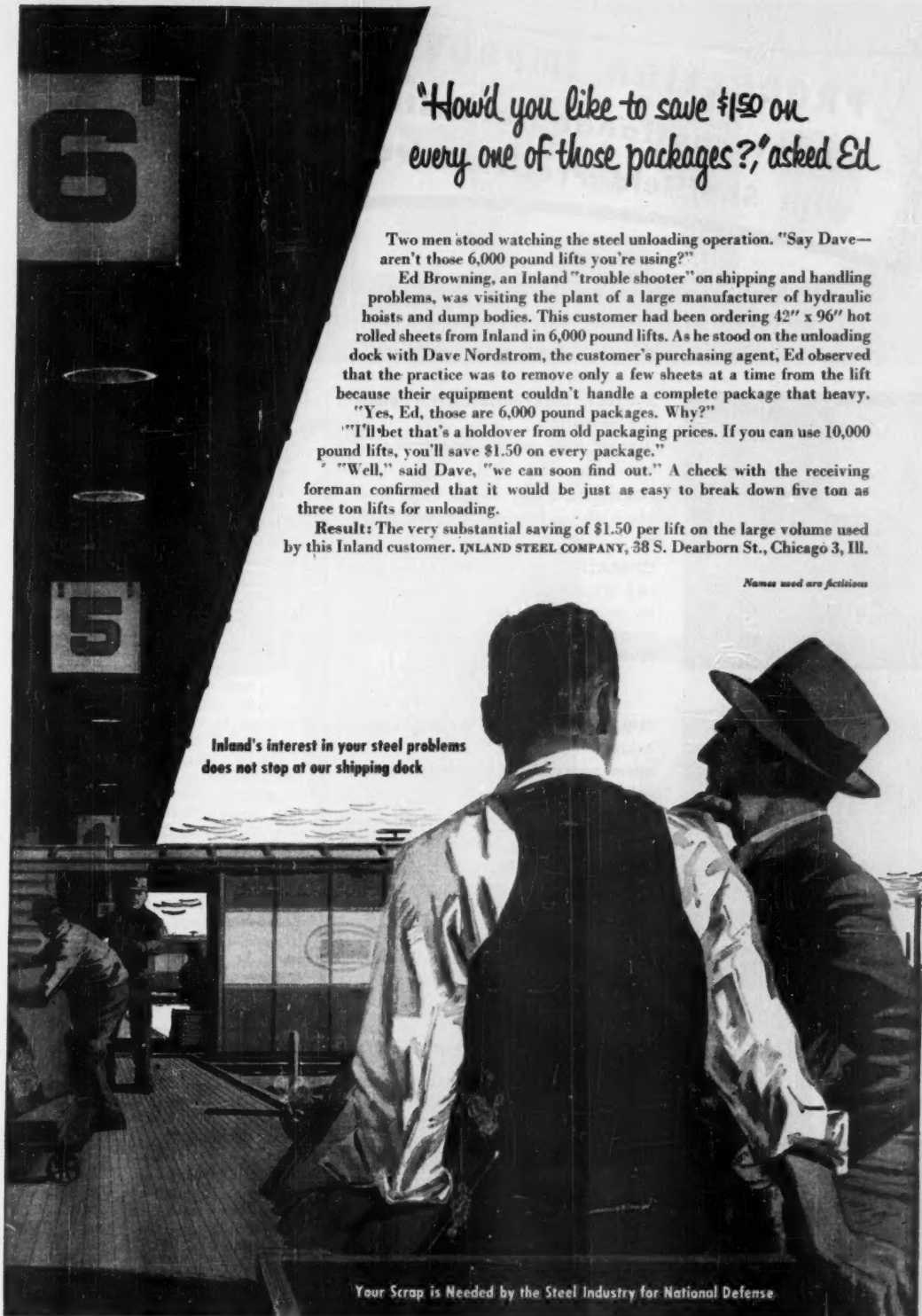
Truman: "That's exactly what I'm saying. You have my assurance. Yes."

Murray: "All right. We won't shut her down."

Truman: "Thanks, Phil, you're a great citizen. I wish they were all like you. Merry Christmas."

Murray: "Merry Christmas, Mr. President."

That's the bargain. That's the way a steel strike was averted in 1951. The dispute will go to WSB de novo, as the lawyers say. Rules made in the past won't apply. If, in the rhetoric wrapped around an ultimate decision, reference is made to past policies, it will be purely coincidental. Look for the resolution of the steel case to provide a new set of wage policies or a new set of interpretations. Look also for it to establish a new wage par for the labor course.



"How'd you like to save \$1.50 on every one of those packages?," asked Ed

Two men stood watching the steel unloading operation. "Say Dave—aren't those 6,000 pound lifts you're using?"

Ed Browning, an Inland "trouble shooter" on shipping and handling problems, was visiting the plant of a large manufacturer of hydraulic hoists and dump bodies. This customer had been ordering 42" x 96" hot rolled sheets from Inland in 6,000 pound lifts. As he stood on the unloading dock with Dave Nordstrom, the customer's purchasing agent, Ed observed that the practice was to remove only a few sheets at a time from the lift because their equipment couldn't handle a complete package that heavy.

"Yes, Ed, those are 6,000 pound packages. Why?"

"I'll bet that's a holdover from old packaging prices. If you can use 10,000 pound lifts, you'll save \$1.50 on every package."

"Well," said Dave, "we can soon find out." A check with the receiving foreman confirmed that it would be just as easy to break down five ton as three ton lifts for unloading.

Result: The very substantial saving of \$1.50 per lift on the large volume used by this Inland customer. INLAND STEEL COMPANY, 38 S. Dearborn St., Chicago 3, Ill.

Names used are fictitious

**Inland's interest in your steel problems
does not stop at our shipping dock**

Your Scrap is Needed by the Steel Industry for National Defense

PRODUCTION IMPROVED at International Harvester with Sheffield Precisionaires

The following are actual on-the-job comments from the Fort Wayne Plant, Motor Truck Division of International Harvester where Sheffield Precisionaire gages are on the job.



SUBJECT: Differential carrier reaming operation.

Does air gage and quality control chart help?

FOREMAN: "They enable us to know where we are. Quality is improved, resulting in better pinion cage assembly fit."

OPERATOR: "It's the best thing we ever had. We can see gradual size change and be on guard to know when to change reamers. I have no worry about scrap or rework."



SUBJECT: Ring gear boring operation.

Has air gage and quality control chart been helpful?

FOREMAN: "Scrap was reduced from 3% to practically nothing. Improved method of setting boring tool and redesigned facing tool were developed. Air gage check is much faster than old method."

OPERATOR: "We know where we are all the time."

For more information about Precisionaires, other Sheffield products and services write to "Customer Consultation."

5834

the *Sheffield* corporation
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CONTRACT SERVICES • THREADING TOOLS



Don't Even Talk...

... of a closed shop in a contract, NLRB warns. Even if it's not enforced, it's still illegal under T-H.

A company and a union can't defend a closed-shop clause in their contract by saying they've agreed not to enforce it. It's still illegal. They must eliminate the clause, or the entire contract will be invalid under Taft-Hartley. Any outside union will be able to move in.

• **NLRB Warning**—The National Labor Relations Board has made that point in a decision involving electrical contractors and the International Brotherhood of Electrical Workers (AFL) in Westchester, N. Y., and Fairfield, Conn.

Electricians who claimed they were fired because they weren't union members filed the case. They cited a closed-shop clause in a contract between the Port Chester Electrical Construction Corp. and IBEW. NLRB investigators found the men were laid off not because they lacked union cards, but because there no longer was work for them. So, the board said, the firings did not violate T-H.

However, NLRB added, the closed-shop clause shouldn't be in the contract, used or not. It directed the contractor and union to take out the reference to union membership as a condition of employment.

The board included the Westchester-Fairfield Chapter of the National Electrical Contractors Assn. in its warning. The association negotiated the closed-shop contract for the Port Chester firm and other association members in 1947—just before Taft-Hartley.

• **Twice Amended**—The contract has been amended twice since. The original closed-shop clause required contractors to hire only IBEW members. If none could be obtained, contractors could employ nonunion electricians only if they applied to IBEW for temporary working cards.

A year later, when employers and unions had to get rid of closed-shop conditions, the contract was amended to read that any part found unlawful in court would be considered voided. Wording of the closed-shop clause wasn't altered.

In 1949 the clause was amended to provide that contractors would hire electricians through the IBEW office. If they could get none there, they could employ nonunion electricians. Reference to temporary working cards was deleted. NLRB held the new wording—giving preference to union electricians—still violated the T-H closed-shop ban.

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BW-12-29-51



IN 1927

Amalgamated Clothing Workers started a cooperative project to help union members out of housing difficulties.



IN 1951

the 25-year, \$20-million project stands completed. All told, there are now 2,466 apartments, for 9,245 people.

Garment Union Houses Its Own

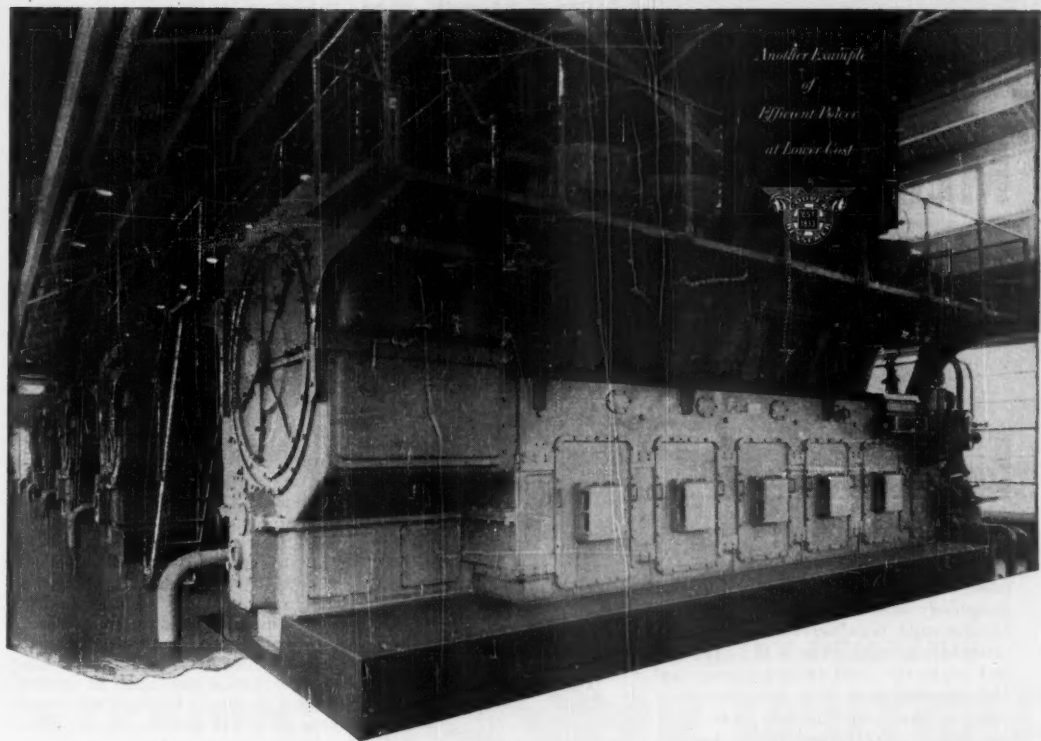
A quarter-century ago, in the mid-1920s, New York garment workers complained to their union about an acute housing shortage and constantly rising rents. They said the only housing they could afford—or find—was in slum districts.

A \$20-million low-cost, cooperative housing program just completed in New York is the direct result of these complaints. For back then, Amalgamated Clothing Workers of America (now CIO) decided to sponsor housing for the garment workers. The small start it made at that time was just a begin-

ning toward what it now has accomplished: 2,466 units housing 9,245 people.

• **Hillman Project**—The protests against slum housing fired the interest of the late Sidney Hillman, then president of ACWA. He enlisted the help of Abraham E. Kazan, an expert in building. Kazan set up the Amalgamated Housing Corp., with financial help from the Amalgamated Clothing Workers Credit Union, the Amalgamated Bank of New York, and other organizations affiliated with ACWA.

In 1926 the corporation completed



KEEPING INDUSTRY AT WORK... *1000 miles away*

WITH every passing year, America has become more and more dependent on the energy of natural gas—not only for household use, but for an incredible range of industrial processing and manufacturing operations.

The reasons are simple . . . logical. America has gas in abundance. Through pipe lines it is speeded thousands of miles across country, delivered and put to work at lower cost than any other known heat source. It's clean, efficient, versatile. In fact gas is doing a *tremendous* job . . . today!

The photo above shows a typical pipe line compressor station powered by Cooper-Bessemer gas engines. It's such stations, hundreds all along the lines, that push the gas across America to help keep our vital industries at work.

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rials necessary for increased power and line capacities are made available as demands on industry grow heavier.

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MECHANIZE

4 Scrubbing Operations into 1

with a

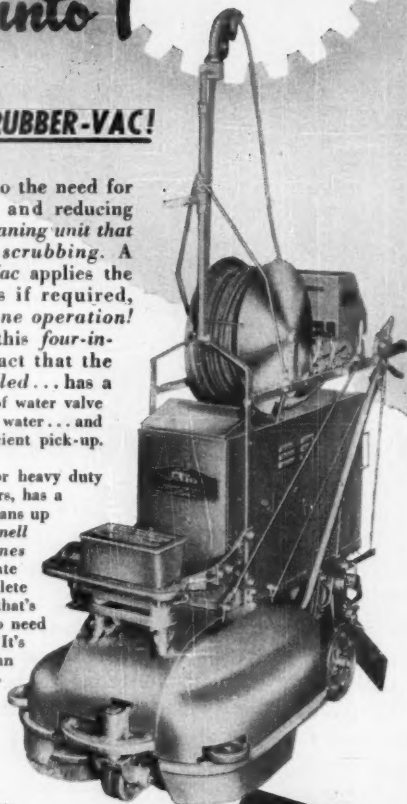
COMBINATION SCRUBBER-VAC!

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The Model 213P at right, for heavy duty scrubbing of large-area floors, has a 26-inch brush spread, and cleans up to 8,750 sq. ft. per hour! Finnell makes *Scrubber-Vac* Machines for small, vast, and intermediate operations. From this complete line, you can choose the size that's exactly right for your job (no need to over-buy or under-buy). It's also good to know that you can lease or purchase a *Scrubber-Vac*, and that there's a Finnell man nearby to help train your maintenance operators in the proper use of the machine.

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*Conserve Manpower with
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Applies cleanser,
scrubs, rinses,
and picks up—in
ONE operation!

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BRANCHES
IN ALL
PRINCIPAL
CITIES

its first project, a 318-unit development having 1,187 rooms, located in the Bronx. The project has been expanded seven times since then and now contains 1,434 units with 5,268 rooms.

Another ACWA-sponsored builder, Amalgamated Dwellings, Inc., began a similar slum-clearance project on New York's lower East Side in 1930. It erected 236 housing units accommodating 930 persons. In 1947 a third sponsored corporation, the Hillman Housing Corp., took over, to expand the lower East Side project by 796 new units accommodating 3,047 persons.

• **ACWA's Role**—ACWA funds were used only in starting the original project in the Bronx; since then, commercial loans have footed the bills. The project—all ACWA land is now built up—was completed with \$7,350,000 from the Bowery Savings Bank; \$7,200,000 from the Mutual Life Insurance Co.; and an additional \$960,000 loan from the Bowery Savings Bank.

The union has continued as sponsor of the project, and as guarantor. Among other things, it has set building standards to be met—including, from the start, a rule that only 25% of the land can be used for building—thus assuring plenty of light, air, and recreation space.

It has also demanded that housing be kept within easy reach of modest-income workers. At the start, rentals were set at \$11 and \$12 a room. Now monthly rentals average \$15 a room. Since the housing projects are co-ops, each tenant must make an initial investment averaging from \$500 to \$650 per room—an investment the Amalgamated Savings Bank often helps the tenant make.

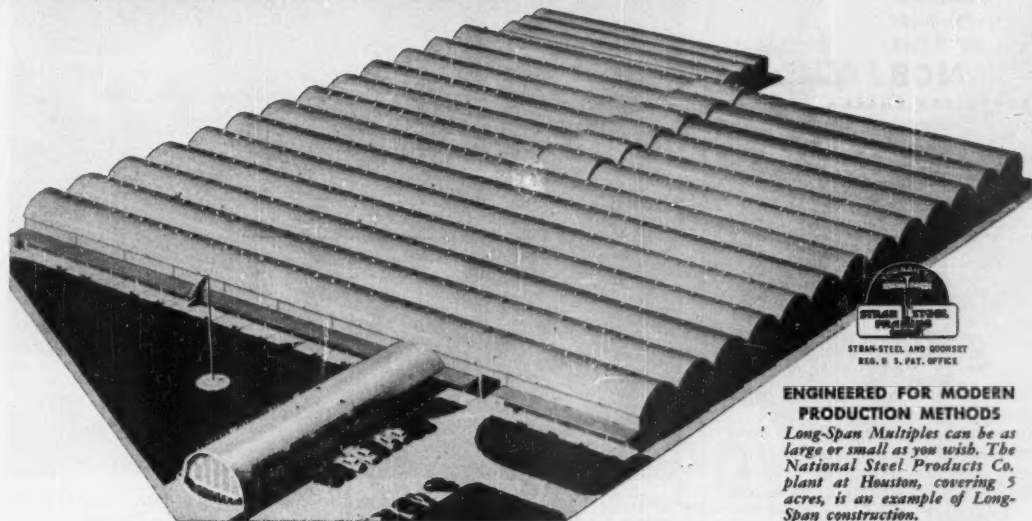
To date, according to ACWA, no tenant "has lost a cent of his original investment." Someone is always willing to buy co-op space for the price paid for it.

• **Open to Everyone**—Although the project was originally set up for garment workers, the developments—at Hillman's insistence—were opened to everyone.

Of the original co-op tenants who moved into Bronx units 22 years ago, 70% are still in the project; according to ACWA. And recently, ACWA reports, it signed up its first third-generation tenants. The union adds that in New York, where real estate people say nobody stays put long, this is something of a record.

• **Model for Others**—The 1926 slum-clearance project in the Bronx was the first major job of that sort in New York City—and the first development sponsored by a labor union. Since then, a number of low-cost housing cooperatives outside New York have been set up on plans tested by ACWA. And several other unions have launched housing projects for members, though on a much smaller scale.

FOR MODERN PRODUCTION



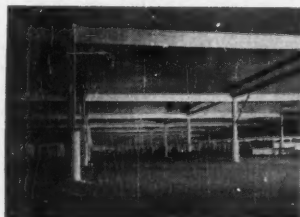
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KEEPING AN EYE ON labor troubles in defense plants is job of John Fanning and his assistant, Capt. Frank O'Connell, top men in the Industrial Relations Division.

Watchdog of the Pentagon

IRD won't take sides in labor issues. But it works behind the scenes to help keep disputes from delaying munitions production.

When a strike breaks out in a defense plant, the big question today is: How deeply will it cut into essential weapons production and just how soon will the stoppage become critical? To help answer this recurring question the Pentagon set up its own watchdog—the Industrial Relations Division of Assistant Secretary Anna Rosenberg's office. IRD's job is to keep management and labor, as well as government, posted on the effects of labor troubles on the defense program.

• **No Fanfare**—You haven't heard much about this division. It tries to operate behind the scenes. But it has been in on several major disputes, including the copper strike, the Douglas and Wright aeronautical issues, and the Borg-Warner-UAW troubles.

However, director John Fanning says that a lot of IRD's work is not with major industries. Rather, it involves labor troubles in smaller plants that produce components needed for final assembly of a plane or tank. In these cases IRD's job is to spell out the government's interest to management and labor.

For example, UAW-CIO leader Walter Reuther protested at the "flag waving" of the Defense Dept. over a strike at Borg-Warner. The com-

pany's over-all average of defense production, he claimed, ran a poor second to output of civilian goods. Word from IRD that the strike-bound company was the sole producer of a particular component going into the Walker bulldog tank helped solve the issue.

• **No Sides**—In spite of its interests in avoiding labor troubles in defense plants, IRD is careful to avoid anything that resembles strikebreaking. Fanning takes no sides in labor troubles. His motto is: "We do not arbitrate; we do not mediate; we do not conciliate." He and his staff simply keep mobilizer Charles E. Wilson and the U.S. Conciliation Service posted by showing what threatened or real strikes would do to military output and how long a production stoppage can be tolerated before it becomes critical.

In general, IRD stays away from meetings between management and labor. Fanning doesn't want either side to use his presence as an excuse to stand pat on demands.

Once a strike develops to the emergency point, then the Defense Dept. has to recommend extraordinary action. That comes after normal conciliation has failed to produce a settlement. Extraordinary action doesn't

necessarily mean government seizure. Indeed, it usually consists of bringing the top management and labor representatives to Washington to meet with top-drawer conciliation experts.

• **IRD in Action**—You get an idea of how IRD operates from Philadelphia's Sharp & Dohme case. That company is the top commercial processing agency for blood plasma. Last month workers threatened to walk out at the expiration of their contract over a union-shop issue. It came at a time when the blood supply for Korea was critically low.

The Army Surgeon General notified Fanning's office of the emergency. Within 48 hours top management and union people were brought to Washington. Though he normally wouldn't get directly into the act, Fanning thought the emergency warranted exceptional action. So IRD added its weight and persuasion. A settlement was reached, a few hours before the deadline (BW—Dec. 17 '51, p42).

• **Versatile**—IRD's interests aren't limited to actual strike cases. It has other functions, too. For instance, when an important weapons producer appeals to the Wage Stabilization Board for incentive raises to attract workers in a labor-short area, IRD supplements the claim. Fanning says, though, that support only goes as far as attesting to the need for the weapon, plus a statement of the contractor's position in defense production.

LABOR BRIEFS

College help (up to 90% of four-year costs) will be provided for children of Cleveland's Solar Steel Corp. employees, through a \$150,000 scholarship fund.

• "Threats and coercion" can't be used by UMW to keep Consolidated Coal Co. from shifting 57 miners from a "worked out" shaft to a productive one at Jenkins, Ky. An NLRB trial examiner ruled Taft-Hartley bars such tactics. The union wanted the company to rehire laid-off miners before moving others to Jenkins.

• What's a work injury? Not an ankle broken at a company clambake, or injuries suffered by a volunteer fireman at a parade he didn't have to attend, say two New York compensation decisions. In a third, an airline stewardess got an award for injuries suffered when she fell off a bicycle during a layover in Lisbon between flights; since she got regular pay and maintenance for the layover time, an appeals board held she was "working" no matter what she did.



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PRODUCTION



MARBLES permit easy inspection before glass is remelted and drawn out into . . .

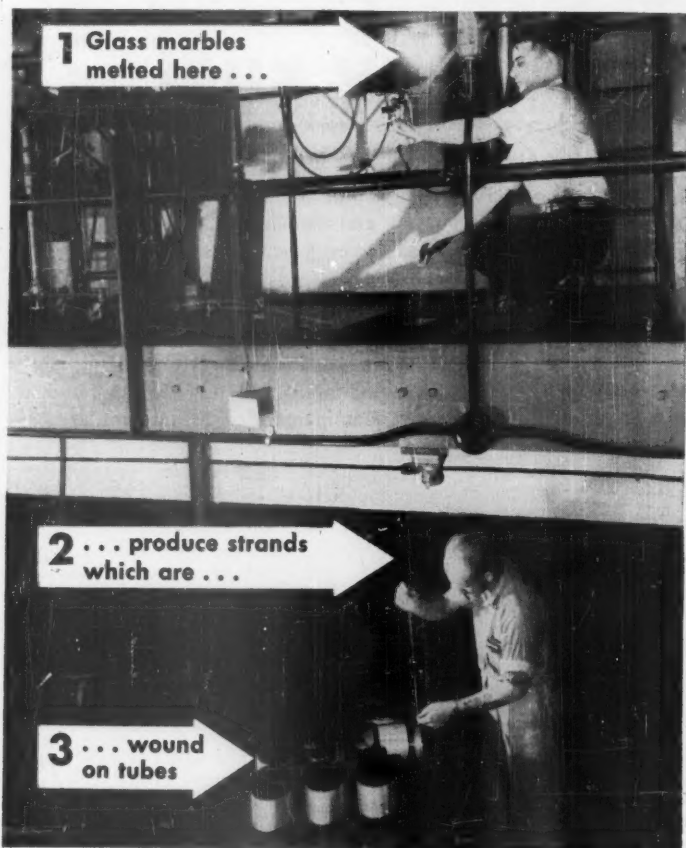


FIBERS with a hundred-and-one uses. Among them is a clothlike . . .



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Glass Fiber Sews Up a Growing Market



1 Glass marbles melted here . . .

2 . . . produce strands which are . . .

3 . . . wound on tubes

PROCESS has two main steps: Raw materials are melted down, formed into glass marbles. Then marbles are remelted, forced through pinholes, drawn out as fiber.

In the rush of industrial expansions since Korea, growth programs announced this year by four separate companies attracted little attention. But put them all together, and they mean only one thing—a terrific future for fibrous glass.

• **Old and New**—First came word that Owens-Corning Fiberglas Corp., the first and by far the largest maker of fibrous glass, was opening a new plant in Anderson, S. C. This plant may possibly double the company's glass yarn capacity.

Perhaps even more important, three big makers of industrial materials are moving into fibrous glass manufacture for the first time. They are Libbey-Owens-Ford Glass Co., Pittsburgh Plate Glass Co., and Ferro Corp. They have been licensed by Fiberglas, which holds the basic patents on making glass filaments.

Smaller producers, such as Glass Fibers, Inc., Glasfloss Division of Tilo Roofing Co., and Gustin-Bacon Mfg. Co., also said they were increasing productive capacity.

There's another straw in the wind, that shows Fiberglas' expansion plans aren't stopping with the new South Carolina plant. Its board of directors has O.K'd consideration of a common stock issue, the first to be sold to the public. Action on it probably will be taken early next year. Right now the company is jointly held by Owens-Illinois Glass Co. and Corning Glass Co., each holding 42% of the stock, with O-CF officials holding the rest.

• **Good Reason**—This ambitious expansion in fibrous glass makes sense in the light of three factors:

• So many new and potential uses

have cropped up for it that the regular producers couldn't supply enough. Owens-Corning had to put its customers on allocation this year.

- The military is consuming lots of it and will need lots more for such things as electrical cable insulation, aircraft structural parts, typewriter cases, sleds, and skis, and small boats for the Navy. In fact, L-O-F says that for the present it'll devote its entire production to military needs.

- For Pittsburgh Plate and L-O-F, which are in the plastic resins business, fibrous glass will be a natural in the growing reinforced plastics field.

- **Applications**—Fibrous glass already has established itself in a lot of areas. It has been used successfully for a long list of products ranging from curtains and drapes to battery separators and home insulation.

- **Good Fit**—Fibrous glass fits like a glove in many new places because it has an unusual combination of properties and is pretty cheap besides. You can better understand the characteristics and low cost of the stuff when you see how it's made.

Main ingredients of glass are sand and limestone—the supply of which is practically unlimited. They're mixed in a batch with other minerals and melted in a furnace. Then marbles are made from the molten glass—about $\frac{3}{8}$ in. in diameter, 42 to the pound. This form permits visual inspection for impurities that might later produce poor fibers.

Then the marbles are remelted in a small electric furnace made of a precious metal. (Now afoot is a plan to eliminate the intermediate marbles and make fibers right from the initial melt.)

Through some 200 tiny holes in the bottom of the furnace come the glass filaments, which are wound on a plastic tube at the rate of more than a mile per minute. The tension in winding draws the still-hot filament down to a diameter considerably less than that of the hole from which it emerges. Fibers average about 23 one-hundred-thousandths of an inch in thickness. Yarns are made by twisting and plying the filaments.

The process can be varied to make staple fibers, which look like cotton or mohair. Compressed air jets whip the molten glass into very fine cobweb-like fibers that are wound on a turning drum.

- **Many Virtues**—Drawing glass so thin makes it highly flexible—for the same reason that steel wire flexes, even though a chunk of the stuff would be rigid: It's because the fiber is long, yet very thin. Fibrous glass is also one of the strongest materials. It has a tensile strength of about 230,000 psi., as against 45,000 psi. for structural

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HEATING LARGE AREAS

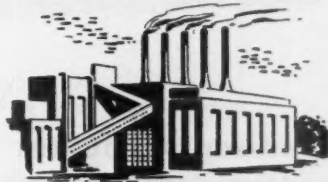
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Catalina



"Catalina", "Coronado"
and "Champion"—T. M.
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NEW ALBANY, INDIANA

Gunnison Homes
UNITED STATES STEEL CORPORATION PRODUCT

**" . . . in most cases what put
fibrous glass across was its
price . . . "**

FIBROUS GLASS starts on p. 42

steel—and it's about one-third as heavy as steel.

Stability is another virtue that fibrous glass boasts. Because a glass fiber is really a glass rod in miniature and not cellular, like a natural fiber, it doesn't absorb moisture. So it doesn't swell, shrink, or stretch. The fibers are practically inert to acids and alkalis; they don't rot or deteriorate, and they can't oxidize. Being noncombustible, the fibers would shrug off even a blowtorch flame. They may melt, but they won't burn.

These inherent qualities plus others that can be engineered into this man-made fiber have brought it a place in industry. But in most cases what put fibrous glass across was its price.

• **Many Uses**—Take glass fishing rods, which have practically taken over the market. Bamboo and steel rods can break, and steel will take on a permanent set if you bend it too much or too long. Rods made of glass yarns embedded in a plastic resin won't take on a permanent set or corrode. And they can be had with any degree of flex to satisfy the most exacting fisherman, at prices lower than those for comparable steel or bamboo rods.

Glass fibers as a plastic reinforcement went over big with the military during the war. Radomes for airplanes were the big use. Not only does glass-reinforced plastic make an adequate protective housing, but it's also transparent to radio and radar signals.

After the war reinforced plastics moved quickly into commercial products like luggage, chairs, translucent window and skylight materials, and tubs for automatic washing machines. A refrigerator manufacturer will soon announce a new model in which the entire interior is made of a reinforced plastic. He is using one-tenth the number of parts and will save about \$4 per unit on shipping charges because the refrigerator weighs a lot less.

In reinforced paper, a tough wrapping for all kinds of industrial products, fibrous glass is replacing sisal and jute. Glass is a lot stronger than the natural fibers; but Harold Boeschenstein, president of Fiberglas, says it wasn't until it could be made cheaper than the conventional reinforcing agents that paper makers gave glass a tumble.

• **Cord**—With its foot in the door of the paper field, fibrous glass may soon move in on baling twine. Fiberglas now has under way an intensive development and test program with twine



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HOLDING strips of wire in manufacturing brushes (photo above) is only one of thousands of uses of rubber bands. Factories, offices, banks, vegetable growers, drug stores, department stores, newspapers, toy manufacturers all find B. F. Goodrich rubber bands helpful in assembling, sorting, storing, coding. They may save you time and money, too.

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Do you know how many styles, sizes, colors rubber bands are made in? How special bands can be made for your special jobs? We can tell you ways rubber bands can be used to speed up your work. For full information and size chart write Dept. 0110, The B. F. Goodrich Company, Akron, Ohio.

B.F. Goodrich
RUBBER BANDS

makers on a product consisting of a glass yarn core with a paper wrapper. Other forms, too, are getting experimental workouts.

Of all the markets Fiberglas is angling for, tire cord looks like the most lucrative. Glass fibers beat nylon and rayon for strength—though it'll take some research to get around abrasion from glass fibers rubbing over each other.

Because glass fibers resist heat and moisture, they're competing with cotton in electrical insulation. The stuff has already caught on for cable and generator wiring. Recently, Fiberglas learned how to dye the yarn so the color would hold up in wiring. (Colored fibers are a must for identification in some wiring systems—radio and television, for instance.) And if an experimental ignition harness made of glass-insulated wire works out for a Detroit auto maker, chalk up another fat new market for fibrous glass.

• **Insulation**—First big use for fibrous glass turned out to be thermal insulation. The wool-like material now insulates homes and industrial buildings, refrigerators and stoves, automotive vehicles and railroad cars. It has given rock wool and slag wool stiff competition because glass wool actually fluffs up rather than settles when bounced around or vibrated.

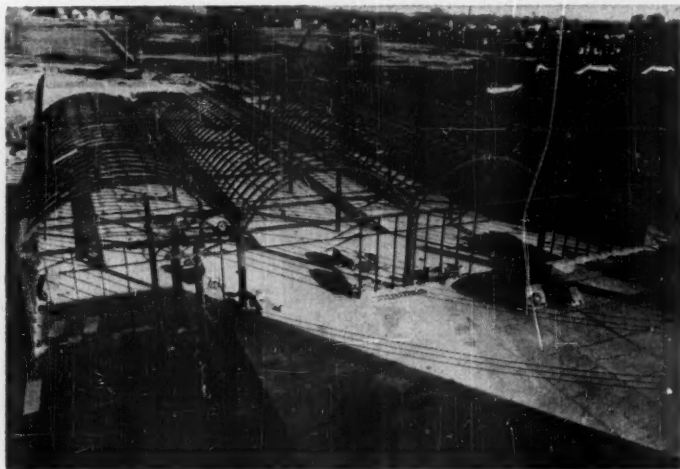
As an acoustical insulation, fibrous glass boards held together by plastic

resins effectively deaden sound because of the many sound-trapping voids formed by interlaced fibers. The stuff also does a job here because it doesn't absorb moisture, and doesn't swell, shrink, or burn.

• **Research**—Most of these uses just didn't happen. It took lots of research by the fiber glass maker and prospective user to turn potentials into reality. Right after the war Fiberglas spent as much as 10% of its sales dollar on research and development, and it has paid off.

Take the case of glass fabrics for marquisette curtains and heavy drapery. Early fabrics felt stiff—didn't have the "hand," in the vernacular of the textile trade—they wrinkled, and a dye or print would come off the fabric in washing.

Out of Fiberglas research groups came a heat-treat process called "Coronizing" for the woven fabric. This treatment softens each fiber and gives it a permanent set of tiny waves so that woof and warp nest into each other. That gives the textile the "hand" and wrinkle resistance. Research also produced a surface treatment for the glass fiber that grips the dye or print so it won't wash off. Now the company had a curtain and drape fabric that was fireproof, wrinkleproof, could be washed with a quick rinse and dried in seven minutes, and wouldn't fade in the sun.



The Quonset Hut Goes to War Again

The Quonset is back on the landscape, but this time in a slightly new form and in a new job—industrial plants. Great Lakes Steel Corp. has come up with a multiple-arch type building that uses light gauge, cold-formed, high-tensile steel instead of hard-to-get, hot-rolled structural forms. A

60,000-sq. ft. factory warehouse (above), built for Nash-Kelvinator Corp. in Milwaukee, took a 16-man crew just 45 days to erect. A. O. Smith Corp. is putting up a similar three-bay building, and Boeing Airplane Co. plans to erect five such buildings in Wichita to produce jet bombers.

PRODUCTION BRIEFS



A new blood pump will speed transfusions. Made by the American Optical Co., the device will pump a pint of blood into a vein or artery in $1\frac{1}{2}$ min. instead of 40 min., as with the gravity drip method. The pump is only 4 in. in diameter, $\frac{1}{2}$ in. thick, and weighs less than $\frac{1}{2}$ lb. Blood delivery rate is adjustable.

Interplanetary flight is no idle dream to the Air Force. A space medicine research department has been set up at the AF's School of Aviation Medicine at Randolph Field, Tex. One of the things it will study is the effect of burning ultraviolet rays and cosmic rays in outer space; these rays are filtered out by the earth's atmosphere.

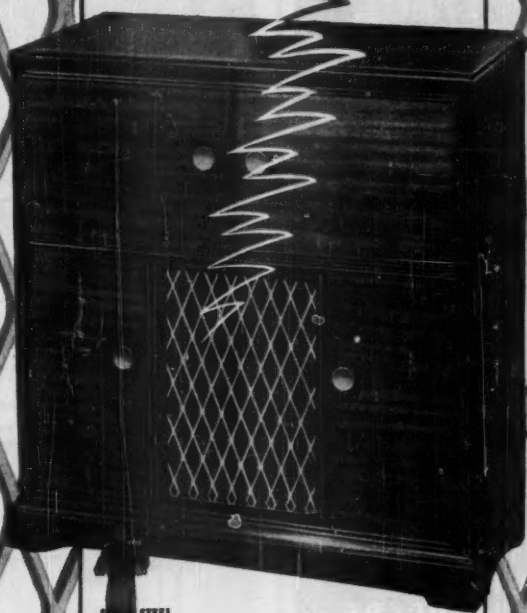
Gravel from mud was developed by two Cornell University professors under Army Engineer Corps sponsorship. They say it's particularly promising in concrete for construction jobs far from a gravel source. The synthetic gravel consists of waste sulfite liquor and soil. Commercially available briquetting machines can make the stuff, which looks like oversized dog biscuits.

Foundry in fable: Cooper Alloy Foundry Co., of Hillside, N. J., used story book technique to explain how castings are made. The book, *Alloys in Cooperland*, tells its story with colored drawings.

Farm crop blights are in for a battle from du Pont's new fungicide called Manzate. It has been tested for disease control for tomatoes, potatoes, apples, grain, melons, celery, tobacco, and other fruits, nuts, and vegetables.

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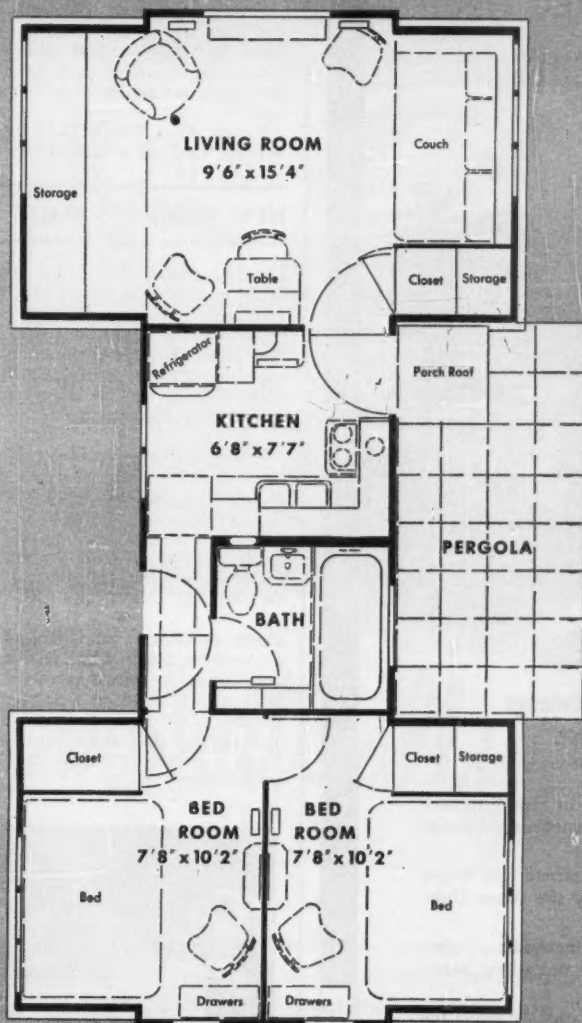
SETTLED: Pull out the telescoping bays, put on roofs, then you're ready to move in.

Mobile Home for Families

The place where a housing shortage really hurts is in the little boom towns (BW—Oct. 13 '51, p. 70). And a construction worker, an Army man, or a defense plant worker is likely to come up against this problem time and again as he moves around the country. He always needs somewhere to put his family, usually for a short time. One answer to the

problem of easily obtainable housing comes from a Georgia builder: a house that you telescope down, put on wheels, drive to your new location, and re-expand when you get there.

Larger than an average trailer, the Knox Bergstrom mobile home is 32 ft. long and 8 ft. wide "collapsed" for highway travel. It comes complete with



PLANS show what happens to the house when it's expanded, plus special built-in features.

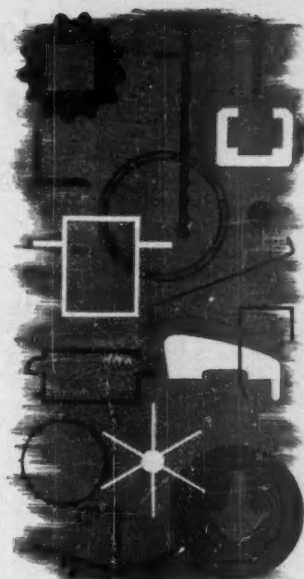
on the Move

a special four-wheeled chassis. When you get to your new site, a jack lifts the house from the chassis, lowers it onto preset piers. Then you pull out four bays to expand it to house size. With the bays extended, this is what you have for quarters: (1) a living-dining room, (2) two bedrooms, (3) a kitchen, including a double sink, 7.5-cu. ft.

refrigerator, gas stove, power vent fan, and a 25,700 Btu. radiant oil furnace, and (4) a bathroom. To top this off, the house is completely insulated.

A number of built-in features save you a lot of space and cash. You get as many as 22 built-in drawers, an expandable desk-dining table, library and storage shelves, closets, a television table, two double mattresses and springs, a couch that converts into a guest bed, and four chairs.

The house, at price listed below, can



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Manufacturers of Aluminum Extrusions and Roll-Formed Shapes

How to cut loading time and reduce damage on carload shipments



**"An investment in knowledge
pays the best interest."**

—Ben Franklin's Almanac, 1757

A major cost factor in shipping any product in carload lots is *handling*, and another is damage in transit.

Today many manufacturers have learned how to get big savings on both these items. They use Acme Unit-Load Band.

It does away with costly bracing materials... minimizes danger of damage... makes unloading safer, easier, quicker.

It's easy—unskilled loading crews quickly grasp the principle of Unit-Load, learn to use Acme Unit-Load tools.

It saves real money. For example, the Electric Storage Battery Company, Philadelphia, cut handling costs 65% on unloading and storing carload shipments of lumber.

We look forward to the day when we can supply Acme Unit-Load Band to everybody who wants it, in the quantities they want. Meanwhile, why not get all the information you can about it? Ask your Acme Steel representative, or write Dept. BW-121.

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Steel Strapping—Stitching Machines and Wire—

Venetian Blind Slat Stock—Corrugated Fasteners—Strip Steel



be financed under an FHA mortgage. Knox Bergstrom also puts out two slightly smaller models (not covered by FHA) at lower prices—houses that sacrifice some space for more mobility. But all the houses are designed in such a way that when you telescope them down, you don't have to remove any furnishings; the bays slide in around your stuff, and you're ready to hit the road.

• Source: Knox Corp., Thomson, Ga.

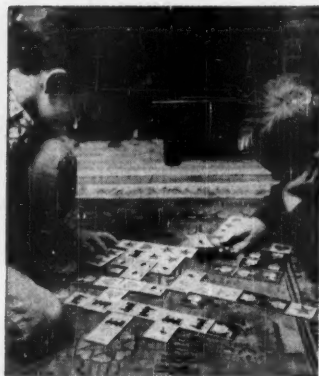
• Price: De Luxe model \$4,990.

NEW PRODUCTS BRIEFS

Concrete collects dirt—its coarse pores make it almost impossible to sweep really clean or free of dust. Concrete Glaze is a varnish sealer (from Rex Home Supply, Ossining, N. Y.) that, brushed or sprayed, seals the pores of concrete and resists grease, water, acids, and alkalis.

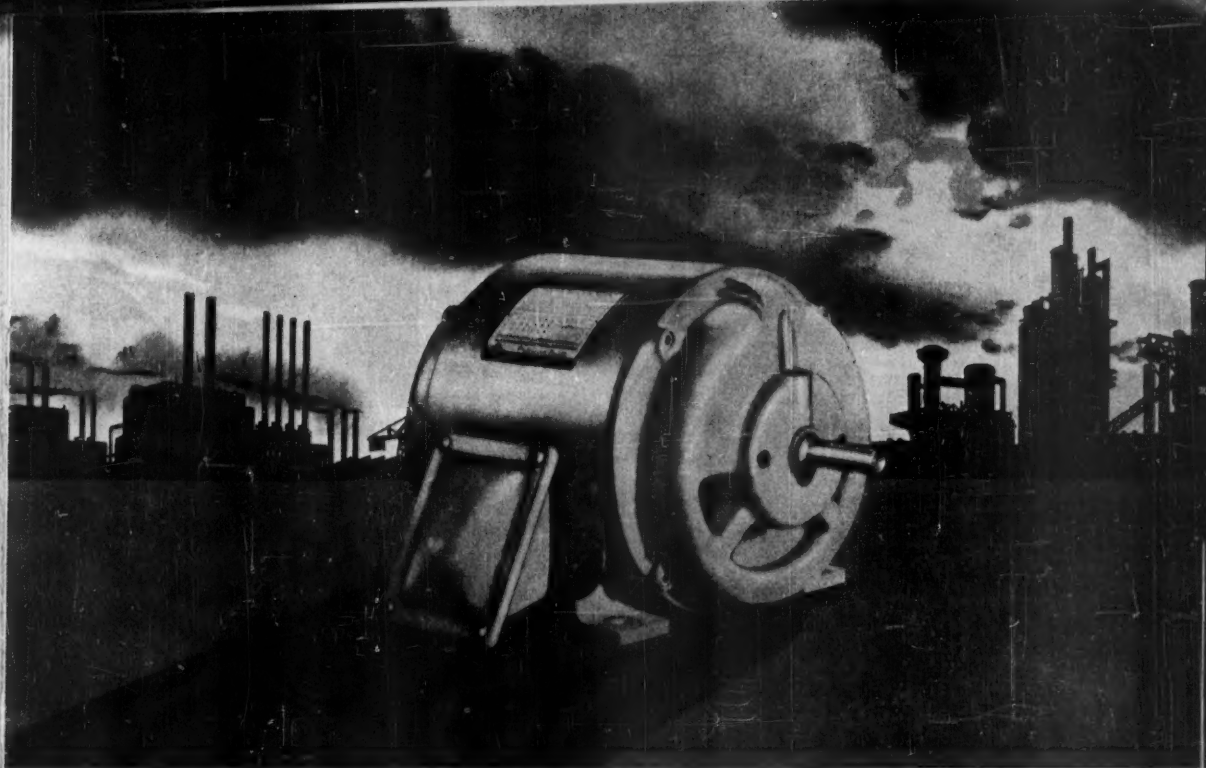
A radiation watchdog, from General Electric, will sound an alarm when radiation reaches harmful proportions. A health monitor for atomic energy plants, water works, laboratories, hospitals, etc., it records gamma rays within an area, but does not replace individual film badges, says GE.

Plastic upholstery, called Tolex-5, has a nonwoven cotton fabric base to support either a three-dimensional pattern called Latasse or a leather tone surface. The base prevents tearing and ripping and makes for a really tough material. It's made by Textile-leather Corp.



Pictures for Numbers

Pretty pictures replace staid black and white dominoes. Children should find this plastic-coated set, from ED-U-CARDS, Inc., a lot of fun. You match up the colored pictures instead of numbers.



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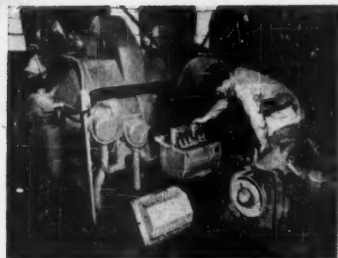
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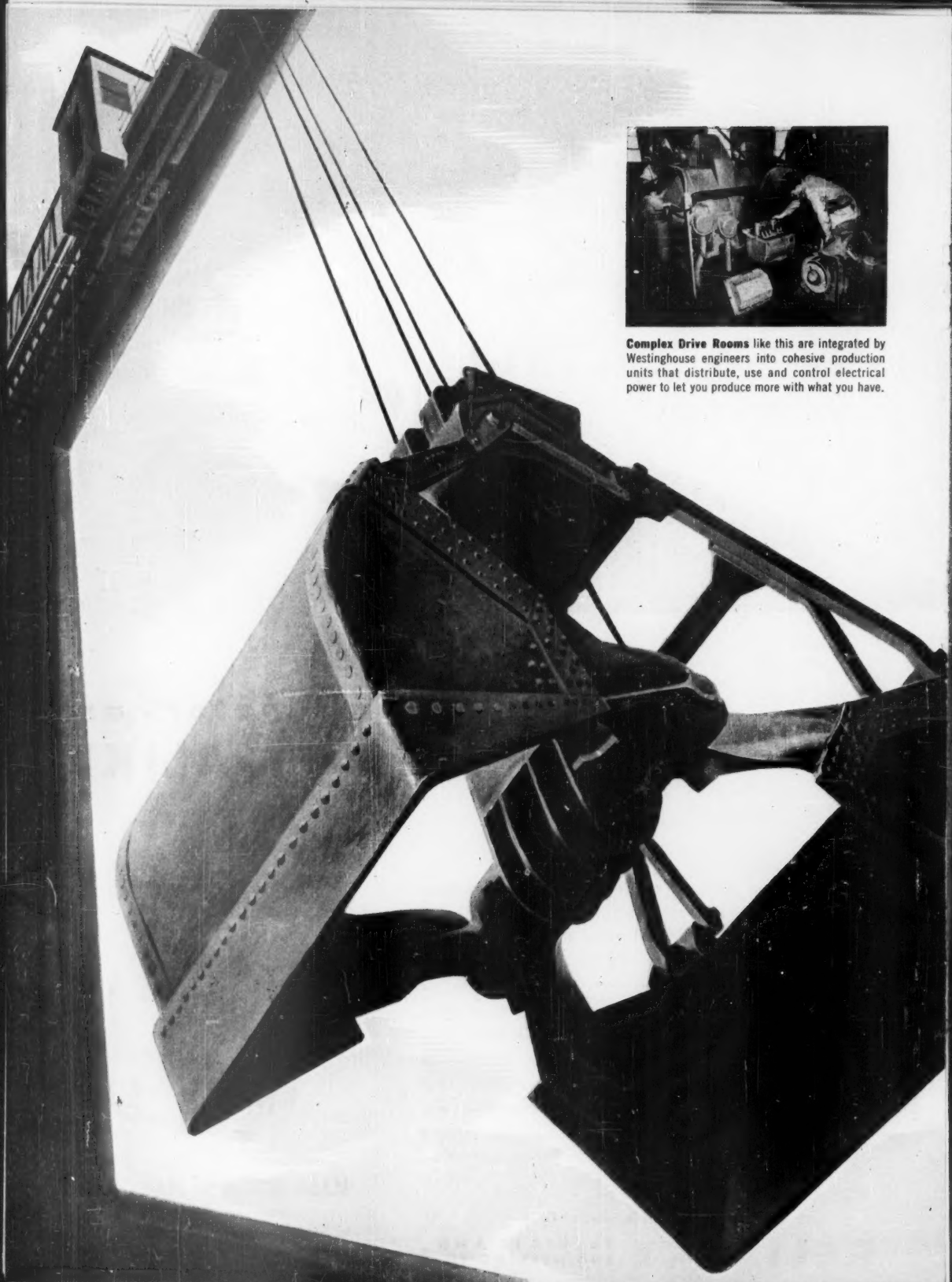


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Complex Drive Rooms like this are integrated by Westinghouse engineers into cohesive production units that distribute, use and control electrical power to let you produce more with what you have.



They did

A certain coke producer* solved a materials handling problem in a way that will interest any executive who wants to increase production. His need was the same as that of many management men: how to produce more with the plant you have. In his case, he had to move more coal faster, from dock to coking ovens.

what

The answer can be used profitably by a paper manufacturer, a petroleum man; by any executive who must produce more. He looked for a method, a scheme, a complete system. He and his consulting engineers asked Westinghouse engineers to collaborate on an electrically-operated unloading dock. They worked out a system of co-ordinated devices—motors, gearmotors, safety switches, circuit breakers—that drive and control the coal unloading tower and its five-ton bucket. Result: The new dock and tower handles 600 tons an hour. In three hours it will provide all the coal the coke plant can use in an entire day. It does it with automatic dumping and handling so smoothly that clean-up shovelers are no longer needed.

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to produce more

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BUILDING

Performance Code for Builders

New York State adopts law making it optional for communities to do away with codes that require specific materials. National trend moves slowly.

In the construction industry there's nothing like a new building code to start an argument—unless it's an old building code. The new New York State "performance" code that went into effect Nov. 1 is no exception. Last week it had people both in and out of the building industry involved in great and violent debate. But except for those who had helped to push it through the state legislature in 1949, the loudest arguments came from those who are against it.

• **Optional Only**—One of the main reasons for this lay in the fact that the new code is actually a watered-down version of the one that Gov. Thomas E. Dewey had originally proposed. Dewey wanted the code to be mandatory, thereby giving it some teeth. The legislature balked at that. Instead, it passed the law as optional. Thus instead of being forced to adopt it, communities can do as they wish. The code so far applies only to one- and two-family dwellings.

Actually, this isn't so bad as it sounds, when you consider that progress in building codes is about like that of a glacier. The New York law is a big step toward the nationwide goal—codes that establish uniform performance standards, rather than those that require the use of specific materials. And within the past few years the national trend toward such codes has become much more noticeable—in a relative sense. Materials shortages resulting from the defense program may speed it up even more.

• **Average Speed**—But from another point of view, the New York law looks ineffective. So far only two communities in the state have chosen to adopt it over their old specification codes. Nevertheless, the law's proponents see no reason to be of faint heart. "Within 10 years," said one, "a good part of the state will be operating under the code." Moreover, they add, you couldn't expect a great number of communities to adopt a new code within such a short time. Two communities by this time are about average speed.

• **Basic Fault**—The real crux of the argument, however, lies in the very nature of building codes themselves. Except in rare instances, each one is a complex list of rules and regulations

that even experts have trouble understanding. Furthermore, almost every building code of every municipality that has one varies from that of the next town. And there are about 2,500 building codes in the U.S.

What's worse is the fact that probably 80% of these codes are obsolete—that is, they are materials codes, or specification codes, which prohibit the use of any materials other than those specified. For example, a specification code might state that only masonry could be used in the construction of a chimney.

• **Cost and Delay**—What this kind of limitation can mean is fairly obvious. It completely does away with the possibility of builders being able to use any new, cheaper materials, even though they have been tested and proved at least as good and as safe as the material required. This almost invariably brings added expense, construction delays, and so on.

One of the biggest troubles is that most specification codes have little more in common among one another than their obsolescence. In an effort to break up the resulting confusion, many groups of building authorities have long been active in trying to get states and communities both to change and standardize their codes.

• **The Uniform Code**—What these groups plug for is uniform performance codes to replace the present individual specification or materials codes. Such codes would permit builders to use any materials in construction that met the requirements of strength and fire protection consistent with safety. For example, a builder would not find himself confined to using masonry for chimneys; he could use steel or asbestos. And so on through the entire building.

However sensible this may sound, getting such codes adopted is quite another matter. Local political influences, racketeering, and just plain inertia all combine to hold most communities back from trying to adopt modern codes. So since any building code worth the name is a highly complex thing, architects and designers must spend days, sometimes weeks, studying them in great detail before drawing as much as a line on paper. And builders who misinterpret codes

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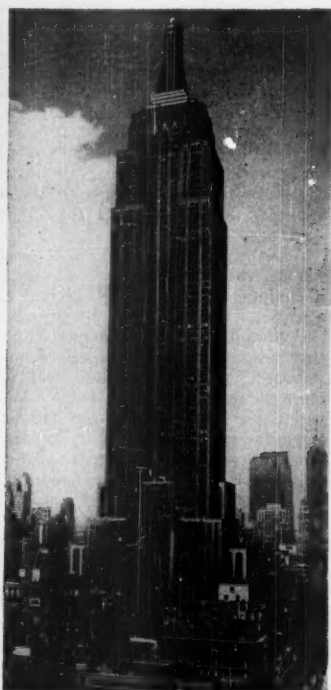
Liquid

find that they must tear a house half apart because they haven't followed the rules strictly enough.

• **The Big Try**—It's to overcome such things that builders organizations have tried so hard first to draw up a standard code, and second to get it adopted.

Most important group of this kind is the Building Officials Conference of America, Inc. It spent four years working with building officials from all parts of the country devising a uniform code. Out of it all came four model codes, some one of which, BOCA claims, would fit the needs of any community in the U. S. So far, it says, a BOCA code has been adopted by 75 communities, several counties, and the State of Connecticut.

• **The Big Question**—New York State did not adopt a BOCA code, but instead figured out one of its own. The big question now is whether it will work well enough to nudge along the national trend toward performance codes any faster.



Sold—For \$50-Million

The world's tallest building, the 102-story Empire State in New York, last week passed to new owners (BW—Dec. 22 '51, p28). The buyer—for about \$50-million—was a syndicate headed by Roger Stevens and Alfred Glancy, Jr., both of Detroit, and Ben Tobin of Hollywood Beach, Fla. The John J. Raskob estate sold the building.



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One is the slow, sure way—picking out a good product and sticking with it, building the market year after year, keeping a tight rein on costs to make your profit.

The other is the risky way. If you have plenty of ideas and like to take a chance, you can try one new product

after another, hoping that sooner or later when you pull the handle you will hit the jackpot. You will probably fall on your face nine times out of 10. But if the tenth idea goes over, you're in.

Nobody knows this better than Joe J. Marx—a shining example of the trial and error school. It took a lot of deals before Marx finally hit a winner. But

when he did, he put his So-Lo Marx Rubber Co., of Loveland, Ohio, right up there, competing with such companies as Goodyear, U.S. Rubber, and Goodrich in the rubber footwear field. His big idea: "Totes," which now control almost 10% of the rubber footwear market.

• **Try, Try Again**—Joe Marx's success caps a long series of trials and errors. For years he tested idea after idea before he finally hit on the one that enabled him to walk into an Ohio bank recently and hand over a check for \$50,000—payment in full for the loan that reprieved his wobbling business less than 10 years ago. The banker congratulated Marx and said: "That's wonderful, Joe. After this just call me Harry. You can always have anything you want here."

Marx's preoccupation with ideas got the best of him in 1930, when he took his first plunge into manufacturing. He and his partner in an advertising agency bought the Perfect Mfg. Co., whose main product was a sticky paste called Savasole—a protective coating that could be spread like butter on the bottoms of shoes. The partners started from scratch. But they figured the product should go well in depression days, when new shoes or half soles cost more than many people could afford.

It did go well as long as the depression lasted. By 1937 the company was trying out various "home-mending" product ideas in addition to Savasole. But it was losing money even though the partners grossed \$400,000 that year—a far cry from the \$10,000 gross the year they took over. The partners figured the way to climb out of the red was to trim their costs. So they did—to fit a business of only \$250,000. The gross then hit \$350,000, and the company settled back into the black.

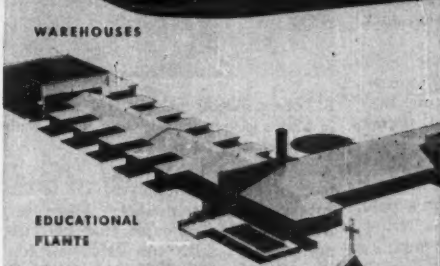
• **The Idea Is the Thing**—In general, though, Marx doesn't believe in worrying too much about costs. If he hits on an idea that sells, costs hardly matter. And he figures that if the idea is no good there's no profit anyway.

Long experience has taught him to be a little afraid of his own capacity for falling in love with something new. "I worship ideas," he says, "regardless of their dollars-and-cents value. I have had to try to channel my thinking—to retain an interest in ideas, but still channel them so they'll make money."

It took a lot of ideas before Marx found the one that did make money. For when the depression ended, so did Savasole's heyday. But another idea—a meat tenderizer that sold well to restaurants and hotel dining rooms—tidied the business, which by then



INDUSTRIAL PLANTS



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COMMERCIAL STRUCTURES

You can erect needed buildings now!

There's no need to postpone the construction of necessary buildings or additions for lack of suitable structural framing. You can build now with our glued laminated (glulam) timbers which are available on short notice.

This framing is not a substitute. Heavy timber framing used in conjunction with concrete or masonry walls has a long and enviable record as "mill construction". Glulam timbers now offer a further improvement in that all seasoning has been accomplished before installation in the building. Dimensions and position remain stable, and the surfaces are smooth and tight. Hence these timbers provide permanent construction with good appearance, economical costs and low maintenance.

Glulam timbers are "factory built" to the exact shape and dimension desired. They are formed of thoroughly seasoned structural quality lumber joined together under pressure by glues as permanent and strong as the wood itself. Timbers last indefinitely inside any building nor-

mally maintained against the weather. Where required by unusual conditions, special treatments are available.

Heavy timber framing effectively resists destruction by fire. Although timbers will burn, they yield strength slowly and stubbornly, allowing time for fire fighters to work. Frequently they are repaired in place, even after severe fires. As a result, insurance rates are favorable.

Timber Structures, Inc., can supply you with glulam timber columns, beams, girders, trusses and arches...in any quantity...fabricated or unfabricated. Our experienced engineering staff is always available for consultation with engineers and architects in working out problems of design.

Let us show you how these permanent, modern structural members will meet your building requirements. See your nearest Timber Structures office, or write us for illustrated booklets, "Industrial Buildings" and "Engineered Timber Construction". Free upon request.

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BYERS PIPE



Perhaps repair bills and production "slow-downs" in your plant have already made you fully aware of the costly consequence of pipe failure. In today's industrial plants where pipe is usually measured in miles, failure any place along the line can deal a "knock-out" blow to operation. And replacement or repair often means disrupted routine, service tie-ups, and annoying interruptions that curtail work flow. Fortunately, there's a proven solution to the problem . . . Byers Wrought Iron pipe. Users everywhere have found that the pipe with the red spiral stripe has the long-life service so vital to keeping production up and maintenance costs down.

Corrosion costs you more than wrought iron

Now available—"A Winter Wonder"—first sound motion picture on snow melting systems. Send now for folder telling what the film covers and how to apply for a showing to your group. Write A. M. Byers Co., Clark Building, Pittsburgh 22, Pennsylvania.



BYERS

WROUGHT IRON

was called So-Lo Marx Rubber Co., over till World War II.

• **Coasting**—When World War II came along, So-Lo Marx shared in the general boom. The company hit its highest annual gross—about \$2,250,000—making foxhole candles, canned heat, and dubbing (an oil and tallow mix) for shoes for the military.

• **Caught Short**—When the war ended, Marx fully expected to take up with his old products again. But it didn't quite work out that way. "There we were, expecting a recession," Joe recalls. "And we hadn't taken time to develop new products." So-Lo started back-sliding. And Joe started thinking hard and fast.

The first idea he came up with was a rubber toy called the "Goonie Bug," designed to slide down a window pane or some other flat surface. So-Lo sold thousands of Goonie Bugs. But most of them came back. The trouble was that in cold weather the bugs wouldn't stick, and in hot weather they stuck too well.

His next idea took a header, too. Marx called it the "Lovelight"—a rose-colored shade that girls could slip over electric lights when their boy friends came to call.

• **Never Say Die**—Joe Marx wasn't discouraged. Like Horatio Alger's heroes, he never doubted that a poor boy can succeed if he keeps trying. He knew sooner or later his number would come up.

And it did, in true Horatio Alger fashion, just in the nick of time. The company was badly in need of a strong product in 1948, when Marx came through with his big idea—a line of lightweight outer footwear made of latex.

So-Lo had been doing some latex rubber molding business and was turning out toe rubbers. "We found that if we took a form shaped like a shoe and dipped in into latex, what came out was a boot," Joe recalls.

This was what he had been looking for. It was different from any other product of its kind because it was light in weight—so light that you can carry it in your pocket. Marx decided to call it "Tote" because you can tote it around with you.

• **At Long Last**—The kids—and their parents, too—were very quick to accept the new product. For one thing, small children, who have to be helped into the conventional rubbers or galoshes, usually can put on and take off Totes by themselves. There are no laces and rights to frustrate Junior. Besides Totes are available in various bright colors.

The first Totes were made for children. But So-Lo soon graduated to women's, and then men's, styles.

In 1950 So-Lo Marx sold 2-million



BLIZZER-BOOT for men is a new item in Marx's jackpot line of Totes, which were first styled only for children.

pairs of Totes—an estimated 5% of the rubber footwear market. This year Marx expects to double that percentage. So-Lo's gross for 1951 will top \$1-million. "In 1952," says Marx confidently, "we'll do \$2-million, with no outside financing."

• **No Complaints**—So-Lo's 175 employees are almost as happy about the bonanza as their soft-spoken boss is, himself. He takes a genuine interest in his workers and they in him. Joe calls his way with the So-Lo people "paternalism with the fangs removed."

Joe Marx can well afford to be generous to them, and he is, considering it something they've earned. He often stresses that while he naturally wants profits that isn't all he wants.

So far Totes don't have any direct competition, although they're cutting into the market for conventional rubbers and galoshes and the new plastic footwear. They're sold only through established shoe and department stores. But Joe says everybody wants to get into the act. "We've had requests from beauty shops, supermarkets, and even service stations," he says.

Marx isn't turning them down cold, just holding them in reserve. "In case competition comes," he says, "we are prepared to put an unbranded line into such places. But it will be only if we have to meet competition, and they won't be called Totes."

America's busiest men will wear a new kind of shirt in 1952

There will be new shirt comfort in your business life in 1952. You'll travel in a shirt that looks ever-fresh with a minimum of care . . . a shirt of Du Pont Orlon*! Washed in a basin—or in a commercial laundry—it will dry quickly, ready to wear. "Orlon" is the natural-looking, wonderful-feeling fiber that makes shirts right for travel, office or social wear. Next time you choose shirts, choose one shirt of "Orlon" acrylic fiber. It'll be your favorite all the New Year!

- ★ Right weight! Right feel!
- ★ Stays rumple-free!
- ★ Cool, dry and porous... breathes with you!
- ★ Washes in basin... dries ready to wear!

*Du Pont's trade-mark for its acrylic fiber
†Du Pont does not make shirts—
makes only the "Orlon" fiber



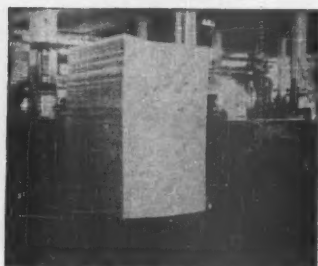
Orlon

KEEPS ITS FIRST-DAY LOOK

DU PONT
REG. U.S. PAT. OFF.
BETTER THINGS FOR BETTER LIVING
...THROUGH CHEMISTRY

REG. U. S. PAT. OFF.

**NOT 1¢
SPENT ON THIS
FLOOR
IN 10 YEARS**



(Duncan Litho. Co., Ltd. Manufacturers of Lithographed Labeled Cartons and 24 sheet Posters. Hamilton, Ont.)

Over 10 years ago, Duncan Lithographing Co., Ltd. laid down a smooth resilient floor with Tremco Mulsomastic—a low cost type of heavy duty industrial flooring.

8,000 lbs. of paper stock piled on flat trucks like the one shown above pounded this floor unmercifully all through the years—and not one cent was paid out in floor maintenance. A recent examination by R. J. Westell of Tremco showed this floor to be still in excellent condition and free from dusting, a vital factor in the preparation of fine lithography.

Talk about economy! Here is an example of flooring economy that is unique, yet only one of many such installations serving and saving in thousands of industrial plants and public buildings all over Canada and the United States.

Tremco flooring methods can be employed to make floors resilient, warm, waterproof, fireproof, vermin-proof, etc. Tremco Mulsomastic flooring can be applied over most types of floors at a cost lower than it takes to replace the original floor.

A Tremco Man can show you sizable savings over other methods because in many instances he will enlist the aid of your own maintenance men, or a local contractor to complete the job, following his instructions.

The Tremco Manufacturing Co., Cleveland, Ohio and The Tremco Manufacturing Co. (Canada) Ltd., Toronto.



R. J. Westell
Tremco Man

TREMCO

PRODUCTS AND METHODS
FOR BUILDING MAINTENANCE

© 1968

TAXES

Farm Can Yield Tax Savings

It's a good bet for a businessman with surplus cash. His farm operating losses offset his other income, and his long-range profit is capital gain at lower tax rates.

More and more businessmen with extra cash are joining the back-to-the-farm movement (BW—May 26 '51, p. 101). From a tax standpoint it makes sense.

If you invest in a farm, you can reap some real tax advantages along with any other benefits of living close to the soil. But you must be sure to show a serious intent to farm for profit. If you run your farm merely as a country home or vacation place, you'll lose the special tax benefits that farmers enjoy.

This doesn't mean that you have to show a profit in any particular year. It's the intent that counts. And if your farm isn't fairly obviously a tax-evasion device, your operating losses can be used to offset other income.

Investment in a farm combines investment in real estate, in equipment, and, generally, in livestock. Operating a farm is a business. You get the special tax advantages of each activity.

• **The Happy Farmer**—You'll probably buy a farm that's running at a loss, that needs rehabilitation. For the first few years, when outlay is high and income is low, it's smart to operate the farm in your own name or your wife's name. Then you can take a full deduction of operating costs to offset other personal income.

Later, when the farm begins to make money, you can incorporate the farm business. Then the corporation can use the profits to pay off the mortgage; the corporation pays income tax on the farm, but you don't.

• **Taxless Dollars**—A dollar put into improving a farm is a dollar well spent—and not likely to be taxed. You can multiply the value of your farm, yet pay tax only when you sell it—and then at capital gains tax rates.

If you keep the farm all your life, even that capital gains tax need never be paid. Inheritance tax would have to be paid on the whole estate, but the farm would escape the gains tax on the spread between original book value and the market value at death. Moreover, the higher value at death becomes the new tax cost for another cycle of depreciation. It is also the basis for measuring gain or loss in any subsequent sale.

No capital gains tax need be paid, either, if you swap your farm for another, even if you're able to get a

much better farm than you bought originally. There's still no tax on the improvements you've made.

If you sell the farm at a loss, you can deduct the full loss against other income.

I. Who's a Farmer?

For the gentleman farmer who wants to take full advantage of benefits the tax law gives to farmers, the main point is that he be enough of a farmer.

The pinch comes when you have a loss from a farm and want to deduct it from other personal income. That's when the Bureau of Internal Revenue casts a suspicious eye on the genuineness of your status as a farmer. For you can't get the offset of income if your farm is merely recreation, a hobby, or a deliberate tax loss.

• **Litmus Tests**—The tax courts don't insist that you be a full-time farmer. They do consider the following points in deciding whether or not you seek to run a profitable farm:

• Your farm doesn't have more social or recreational facilities than the average professional farm.

• There are substantial receipts from farm sales.

• Farm losses are decreasing.

• Improvements are made to increase efficiency, cut expenses.

• Experienced people are in charge of the farm.

• Experts are consulted.

• Complete and detailed books are kept.

• Unsuccessful operations are abandoned in favor of others that might bring more income.

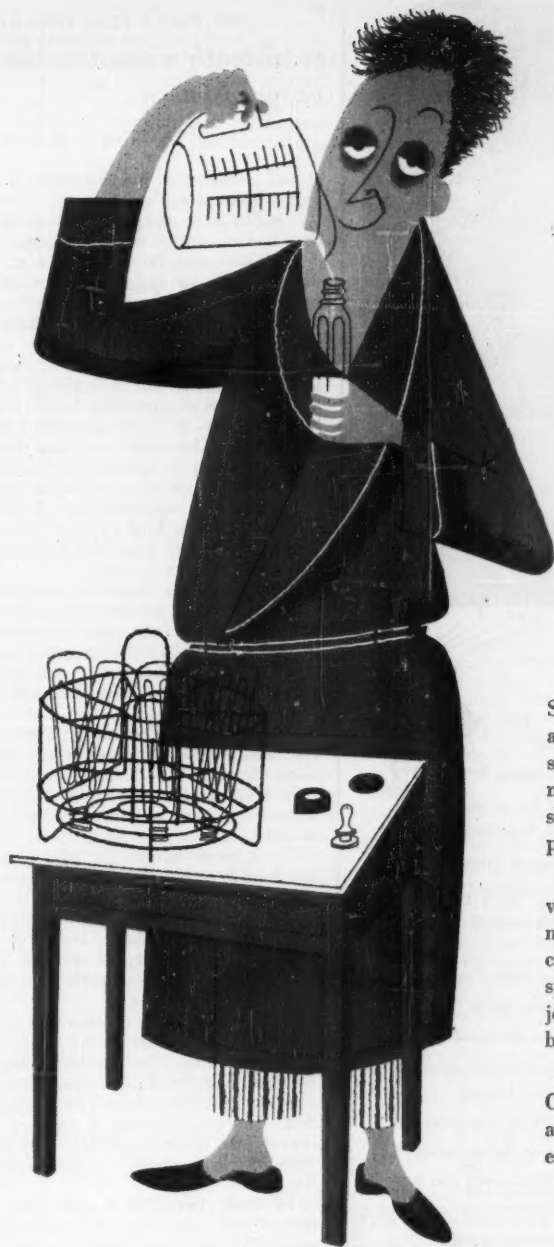
• You devote a great deal of personal attention to the farm.

• You charge your household market prices for farm products used.

• A farm manager shares in profits.

The most important factor is the clear intention—not the mere hope—of running the farm at a profit. That intention is shown if large quantities of produce are marketed at prevailing prices and business principles and practices are followed. It is usually denied if heavy losses continue year after year and expectation of profits looks slim.

• **Only a Hope**—In one recent case a tax court ruled there was only a hope—



you have to "baby" special steels

Special steels are as different from everyday steels as a baby's formula is from milk. These special steels, which are the sum and substance of Crucible, must be carefully compounded and, in some cases, so sensitively handled that they cannot be mass produced.

For instance, while structural steel is almost universal in its application, Crucible special steels are made to meet unique requirements. Each application requires a special formula. So you'll find special Crucible steels for such diversified uses as jet and diesel engines, hacksaw blades, razor blades, bearings, typewriters, radio and television sets.

When your problem is a special steel, call on Crucible for the answer. Our metallurgical staff applies more than 50 years of special steel experience to your needs.

CRUCIBLE

first name in special purpose steels

51 years of **Fine** steelmaking

CRUCIBLE STEEL COMPANY OF AMERICA, GENERAL SALES OFFICES, OLIVER BUILDING, PITTSBURGH, PA.

Spaulding Works, Harrison, N. J. • Midland Works, Midland, Pa. • Park Works, Pittsburgh, Pa. • Spring Works, Pittsburgh, Pa.
National Drawn Works, East Liverpool, Ohio • Sanderson-Halcomb Works, Syracuse, N. Y. • Trent Tube Company, East Troy, Wisconsin



Butadiene and styrene tank farm

This SPECIAL HAZARD fire protection safeguards chemical processing operations

Most manufacturing plants and many industrial and commercial business operations present certain areas of extreme fire hazard that are not adequately safeguarded through standard methods of fire protection. The chemical processing and storage operation shown is one such case. At this location, *"Automatic" FIRE-FOG* systems of protection detect and dissipate concentrations of vapors above the lower explosive limit. This type of protection assures the maximum in personnel and fire safety, preservation of high-valued equipment and continuity of plant operations.

Like all *SPECIAL HAZARD* systems, *"Automatic" FIRE-FOG* is specifically engineered for the risk that is protected. Many other installations of similar nature have been made in chemical processing properties throughout the world. And, like any other worth-while product, *FIRE-FOG* stands on its records of achievement . . . records that are written into the reports of all leading insurance bureaus. Regardless of your *SPECIAL HAZARD* requirements, you'll find that our preliminary engineering service makes possible a fair economic and adaptability evaluation of all fire protection methods for your own risk. This engineering service plus the facilities of our laboratory and test yard is available to you without cost or obligation. If yours is a special condition—we either have the fire safety answer, or will use our entire facilities to find the answer. Write or call us today.

"AUTOMATIC" SPRINKLER CORPORATION OF AMERICA
YOUNGSTOWN 1, OHIO

"Automatic" Sprinkler

FIRST IN FIRE PROTECTION

DEVELOPMENT • ENGINEERING • MANUFACTURE • INSTALLATION
OFFICES IN PRINCIPAL CITIES OF NORTH AND SOUTH AMERICA

"... you can't lose money consistently without coming under suspicion ..."

TAXES starts on p. 62

no real intention—of running a farm for profit. These were the facts:

- The man and wife owning the farm had substantial outside income.

- They used the place as a residence. The house had 20 to 30 rooms and seven baths. The farm was within easy commuting range of the husband's principal place of business.

- The farm, bought in 1935, was stocked then with five cows and a bull as the nucleus of a breeding herd. The herd increased to 29 by 1940 and to 41 by 1947. The owners were told they couldn't expect to operate the farm at a profit with fewer than 150 head, and the farm could support a herd of that size without additional expense. However, the owners never did anything about getting more animals.

Early losses are expected, but you can't lose money consistently year after year without coming under suspicion of lacking a profit motive. The tax courts have ruled that you must at least plan so the farm may some day yield a profit.

- **A Home in the Country**—In another case losses were disallowed when the court decided the farmer was really only keeping the farm as a country home for his family rather than trying to make a profit. The facts:

- A lawyer bought the farm to retire there from his practice, but he continued in his practice.

- He spent vacations, and his family spent summers, there.

- The only time he devoted to farming was to give occasional instructions to his hired farmer.

- There were 13 consecutive years of either losses or no farm operations at all. The owner did buy seed, stock, and farm equipment, and he employed a sharecrop farmer in the year in question. However, in view of the farm's history, the court ruled that only an "incorrigible optimist" could expect any profits.

- **14 Lean Years**—In another case a farmer had losses for 14 consecutive years. Yet the court found he had a reasonable expectation of making a profit, and it allowed him to deduct his losses. This ruling was based on the following acts of the farmer:

- Increasing the area of cultivated land and pasturage from 75 acres to 95 acres.

- Employing an experienced farmer to operate the place under his supervision.

- Improving the land by reclama-

tion practices, use of fertilizer, and soil conservation methods.

- Trying various types of farming in search of profit: poultry raising, general farming, breeding beef cattle, raising hogs and sheep, growing wheat, corn, and hay.

- Working on the farm on weekends, repairing buildings and equipment, feeding poultry, spraying orchards.

- Consulting regularly with his farmer concerning problems.

- Spending much money to repair buildings and to buy equipment—for useful rather than beautifying purposes.

This farm owner had his home on the farm, but he kept the home separate from the farm in his bookkeeping and confined his social activities to the home. He included in farm income at regular prices the farm products consumed by his family.

II. Specialized Farming

The businessman who is seeking tax saving and long-range capital gains, rather than income, is likely to go into cattle raising or the growing of timber. Each has advantages.

- **Livestock**—Cattle appreciate in value in two ways: through calving and through putting on weight. You pay no tax on this appreciation until you sell the cattle. Your cost of raising the cattle is fully deductible, meanwhile.

If you sell dairy or breeding animals after owning them for 12 months or more, you pay only a capital gains tax on any profit. But if you take a loss on the sale, you can offset that in full against other income.

Any kind of breeding animal except poultry gets this tax treatment: capital gain or ordinary loss. The only restriction is that you don't sell the animals in the regular course of business—you can cull your breeding herd as you see fit, however—and aren't holding them for sale to customers. If you do either of those things, your sales produce ordinary income.

You can play around with your income, either taking it in a particular year or letting it slide. You can sell animals if you want the income, or you can defer income by keeping the herd intact to grow for the future.

- **Timber**—Part of your farm can be devoted to timber, with a minimum initial expense and a good chance of building up values. You don't pay any tax on the annual increase in value of the growing trees. And when you sell the timber as it stands, you pay only a capital gains tax. Only if you cut the trees yourself to sell as lumber, logs, firewood, or poles do you run the risk of having to pay regular income tax rates.

Save a thousandth of an inch and
you save \$4940 a year

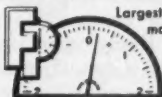


If the coating of plastic on an insulated wire averages a mere thousandth of an inch (.001") too thick, the wire manufacturer loses up to \$4940.00 a year in plastic alone. How can this waste be eliminated without danger of producing wire with a sub-standard thickness of insulation?

The Federal Continuous-Measuring Gage is the answer... tested and proven in wire plants throughout the country. This automatic gage governs wire speed through the plastic extruder, detects over-thick or under-thick insulation, corrects the process automatically, holds insulation thickness to a total variation of only $\pm .001"$. Previously, the insulation was run extra heavy to avoid reject wire. Now, with the Federal Gage, the manufacturer can shoot straight at the thickness specified in the Underwriters' Code. The

resultant savings in plastic pay for the cost of the gage in a few months and thereafter contribute a nice profit to the manufacturer. Little wonder Federal Continuous-Measuring Gages are so widely used in the wire industry!

Federal Wire Gages are money-makers because they save materials. Other types of Federal Dimension-Control Gages pay off in other ways: They improve product performance to increase saleability. They improve product uniformity to cut manufacturers' costs by eliminating rejects. They increase product life to avoid customer complaints and field service. Federal Dimension-Control always pays off. May we show you a few examples of Federal Gages working for greater industrial economy? Fill in the coupon today. Federal Products Corporation, Providence 1, Rhode Island.



Largest manufacturer devoted exclusively to designing and manufacturing all types of Dimensional Indicating Gages

FEDERAL

Federal Products Corporation
212 Eddy Street, Providence 1, Rhode Island

Please send me Catalog 51, describing the complete line of Federal Dimension-Control Gages. I am interested in Gages for the following work:

- ☐ Materials Conservation
☐ Dimension-Control of Parts from Vendors
☐ Scrap Reduction
☐ Statistical Quality Control
☐ Inspection of Hard-To-Reach Dimensions
☐ High-Speed Automatic Inspection of Parts

Name _____
Company _____
Street _____
City _____
State _____

If You Operate Fleets Of Trucks, Autos, Or Taxis Here is Wonderful News

New "Police-Type" Radio now available for Industry.
Gives instant radio contact with scattered field forces.
Speeds up whole operation. Read how ...

**Do you operate field crews?
Trucks, buses or taxis?
Pipe lines or power lines?
Construction jobs?
Lumber camps?**

If so, there is a new 2-way radio system now available that can step up your operations in a dozen profitable ways. It puts a "phone" in every truck or car. Like police radio, you can contact any vehicle in the field as fast as a police chief calls a squad car ... instantly, by radio. (One taxi fleet operator reports this RCA 2-way radio boosted his phone-order business 595%.)

No more aimless driving

Radio saves gas and oil, wear and tear. Directs field forces from job to job. Saves precious time in emergencies. Field crews cover area more efficiently. You need fewer trucks, fewer men. (A fish and game department reports 10 times better coverage of forests with RCA radio.)

No more "Hunting for the Boss"

When you're driving in the field, you're still in touch with office and with field men, too. You cut costly telephone bills. (A highway maintenance department re-

ports phone bill cut from \$80 down to \$40 a month.)

RCA Radio easy to install —Operate—Maintain

RCA helps you set up your 2-way radio system. Includes field survey (usually no charge), help with FCC permit, help with installation. And RCA Service Company handles service on low-cost contract if desired. It's that simple.

Look Into radio for your business

2-way radio in industry is still so new that new uses are being found for it every day.

It's simple, rugged, lightweight, compact. Just like police radio. Operates in all weather. Can install mobile unit in truck, auto, or construction rig in 4 hours. Easily maintained, uses standard tubes. Central transmitter can serve any number of mobile units. Exceeds FCC requirements. Designed and backed up by RCA... world leader in radio.

Get full story now on how this new money-saving tool applies to your business. Address postcard to Department 26XE, RCA Engineering Products, Camden, New Jersey. Please state your type of business.

READERS REPORT

Too Simple?

Dear Sir:

As your article on "Operations Research" [BW—Dec.1'51,p62] suggests, one of the most difficult jobs of the operations-research worker is to explain what operations-research is. Your article ably emphasizes one view: that it is good common sense plus an assortment of mathematical techniques. In the opinion of many operations-research workers, however, including our own workers in this field, the most significant feature is the study of operations by a team trained in scientific investigation. This view does not imply that only a scientist can study business or other operations, but it does imply that in some situations an operation can be most usefully studied by a team including men with an extensive background in analyzing, ordering, and reaching conclusions from data on physical phenomena.

These data, as handled by the physicist, biologist, or chemist, are often characterized by many variables and deeply hidden basic factors; so are the data on some business situations. In dealing with such situations—including production scheduling, cost analysis, and organization of sales—programs—operations-research groups have solved problems where standard management engineering techniques have been recognized as inapplicable. We at Arthur D. Little, Inc., have long been associated with management problems; we have a considerable staff advising management on questions such as plant location, market analysis, and expansion by merger, yet we see sharp differences between these activities and those of our operations-research group. To apply the term "operations-research" to a combination of standard business-analysis techniques is to dilute it to the point of meaninglessness.

RAYMOND STEVENS

VICE-PRESIDENT
ARTHUR D. LITTLE, INC.
CAMBRIDGE, MASS.

No Bonanza?

Gentlemen:

Some misstatements occur in the article entitled "Iron Plating Cheats the Scrap Pile" [BW—Dec.1'51,p109]. The third paragraph reads:

"Railroad Bonanza—A 20-in. diesel cylinder liner normally costs about \$1,550 and consists of about 1,700 lb. of high quality cast iron. For about \$500, such a worn cylinder can be made as good as new with only about 12.3

lb. of Vanderloy M electrolytic iron."

Immediately below this type are two pictures both showing very distinctly old cylinder liners from General Motors diesel locomotives undergoing the Vanderloy process. The inference obviously is that those cylinder liners cost \$1,550, weigh 1,700 lb. each, and can be restored to "as good as new" for \$500.

The facts are that those cylinder liners cost our customer railroads \$76.32 brand-new, weigh 138 lb., and, our engineers tell me, by no means can be restored to "as good as new" by the Vanderloy process or any other process we have come across, after they are worn out—even for \$500.

VOLNEY B. FOWLER

ELECTRO-MOTIVE DIVISION
GENERAL MOTORS CORP.
LA GRANGE, ILL.

• BUSINESS WEEK did not mean to imply in its story that the 1,700-lb. diesel cylinder liners referred to were those shown in the pictures. The particular liner mentioned was given as an example of the kind of saving that could be made. The liners in the picture are not the 20-in. liners, nor do the captions for the pictures imply this.

No Gain At All

Dear Sir:

I read with keen interest your article "Is Your Fire a Capital Gain?" [BW—Oct. 13 '51, p. 104].

I did not have a fire, but my property was condemned to make way for a state highway, and I had to sell this apartment building to the state.

After spending a great deal of time delving into the laws of BIR, I, too, learned what "involuntary conversion" meant and how soon is "forthwith," also what is meant by a "replacement fund."

To make this as brief as possible I reinvested my money in "similar" property within six months. I had hoped by doing this to avoid the capital gains tax, but the next March I learned something that was quite a shock to me.

The cost basis of my newly acquired property was reduced by the amount of gain shown on the old property. Since I was forced to sell and to buy in an inflated market, I feel that this reduction of cost basis was very unjust in my case, for not only would this capital gains tax hover over me, but I could only take depreciation on this reduced basis.

My reason for writing you is because you do not mention this reduced cost basis on condemned property. Outside of that your article was very informative.

MRS. E. N. KLOCK

LOS ANGELES, CALIF.

Did you get a Zippo for Christmas?

If you are one of the many lucky men who received Zippo Lighters this Christmas, read these facts about your gift:

If your Zippo is not already personalized, you can have it engraved with your initials or actual signature for only \$1.00. (Leather-Crafted models—initials only.) Just send it to us with your instructions. This special Zippo service takes only a few days.



Your Zippo has a convenient place to carry a generous supply of extra flints. Place them under the felt pad at the bottom of the fluid chamber. Make a point of always using Zippo Flints. They last longer, give you sure-spark action.

Your Zippo is fully covered by a **FREE REPAIR SERVICE POLICY**. In the event of any mechanical trouble at any time, we will put your Zippo in first-class working condition without one single cent of cost to you!



To get the best results with your Zippo, always use long-lasting Zippo fluid. It's scientifically made to light instantly, provide a clean, odorless, smokeless flame. Your Zippo is a precision instrument, durably made to give you a lifetime of dependable service. It's the lighter that always lights with a zip... even in wind or rain.

Did you give a Zippo for Christmas?

If not—now is the time to get more information about Zippo Lighters as business gifts. They're ideal for sales incentives, length of service awards, sales promotion premiums, business anniversary awards. Send the coupon below for free brochure.

Zippo Manufacturing Company
Bradford, Pa.

Dept. BW-15

Please send **FREE** brochure showing Zippo models, quantity discount prices, and information on low-cost trade-mark engraving.

Company.....

Address.....

City..... Zone..... State.....

Send attention of..... Title.....



MANAGEMENT



● Continental Oil was slow on the uptake when World War II ended. It was still operating under a depression-days setup.

● A postwar expansion boom in petroleum hit the company like an incendiary. It had to get going in a hurry.

● New boss Leonard F. McCollum (left) moved in. Reorganization, end of one-man control, put Conoco in the groove.

Organization Savvy Pays Off at Conoco

Like the rest of the petroleum industry, Continental Oil Co. has been riding a postwar boom unequalled since the days of the fabulous wildcatters. Right now Conoco ranks eighth-largest producer in the country.

But there was one big difference between Conoco and a lot of the other oil companies at the end of World War II: Conoco wasn't prepared for a quick switch to expansion. To hold its own, the company had to be reorganized, and its pace had to be stepped up.

To a large extent, the credit for doing that goes to Leonard F. McCollum (cover) and the parcel of management ideas he brought with him from Standard Oil Co. (N. J.). McCollum, 49, was raised in Texas, rose to the top ranks of Jersey Standard before he was 45.

• **Paradox**—In a couple of ways, McCollum's presidency of Conoco is ironical:

• As an oil man, he was weaned, trained, and seasoned by Jersey Standard. Now he's head of an independent company that once fought the Standard family from the Rockies to Wall Street.

• As a management man, he was picked to rescue Conoco from the effects of one-man control. But today if you ask anybody in Conoco why the company is humming, the answer is always one man: "Mr. Mac."

McCollum likes to think of himself as a new breed of professional management man. More than oil, he's interested in what it takes to make an organization tick. "Management," he says, "is running people, not things." He's

made a lot of deep-rooted changes at Conoco, and he'll expound his ideas at the drop of a hat.

• **The Record**—McCollum feels that so far the record backs up his theories. Since he took over as top boss at Conoco in 1947, the company has made more money than ever before. Volume jumped from \$200-million in 1947 to nearly \$400-million this year. Total net profits from 1947 through 1950 hit \$164-million—almost double the net from 1941 to 1946. In 1951 profits will run close to 1950. They reached \$31.3-million in the first nine months, a notch above the 1950 period.

Besides that, under McCollum's guiding hand, Conoco has:

• Boosted its land holdings from 2-million acres in 1947 to 7.4-million acres in 1951.

• Became the second-largest holder of mineral rights in the rich Western Canadian field through its subsidiary, Hudson's Bay Gas & Oil Co. (headed by McCollum).

• Hiked production from 34.9-million bbl. in 1946 to an estimated 43-million bbl. in 1951.

• Jumped refinery capacity 91%, including one new plant at Billings, Mont. Conoco also owns a 35% interest in the nation's biggest lubricating oil and wax plant at Lake Charles, La., completed in 1949 (Cities Service Co. owns the rest).

• **On the Books**—This week Conoco announced still another postwar expansion project. It will spend \$7.5-million to increase capacity at its main refinery in Ponca City, Okla. That will be

the second major job there since 1948. Included in the plan is one of the first commercial units using a new continuous contact process for producing coke and high-octane gasoline from crude oil.

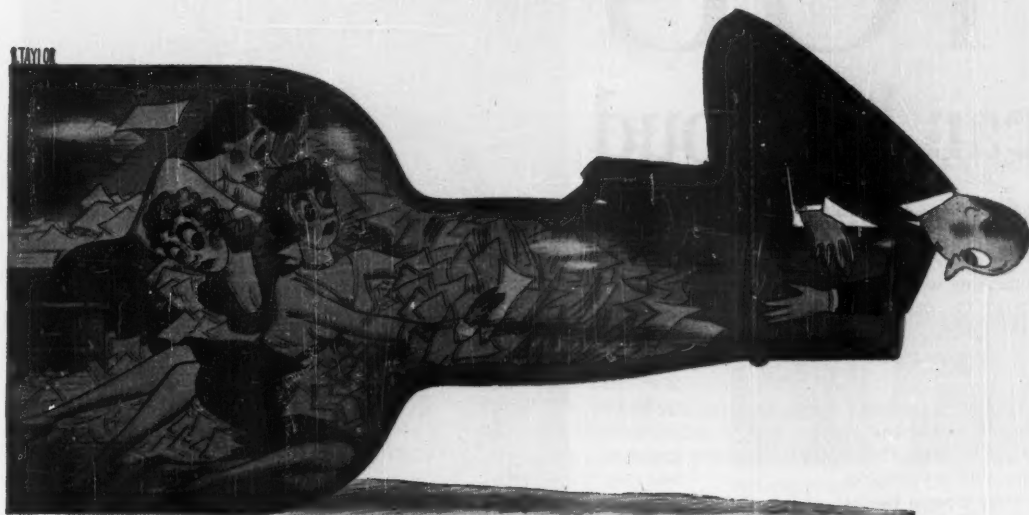
• **Third Boss for Conoco**—Technically, McCollum is the second president of what is now Continental Oil Co., but most old hands look on him as their third boss. First was E. W. Marland, the improbable independent wildcatter with a penchant for geology and fine living. He put together Marland Oil Co. after his first big strike west of the Mississippi on the 101-Ranch near Ponca City. (McCollum moved Conoco's executive headquarters from Ponca City to Houston in 1950.) From that strike was born a personal oil empire big enough to fight Standard (and the House of Morgan) until the depression forced Marland to the wall.

The late Dan Moran took over in 1928 with the backing of New York bankers. He merged Marland with the old Continental Oil Co. of Denver, then dropped the Marland name for Conoco. His job: to cut losses. He gets credit for shaking down what under Marland was an over-stuffed, luxury-loving company of the golden '20s.

What he didn't do, though, was gear his organization so it could grow fast. His top people could make only minor decisions without Moran's O.K. That worked fine in the depression years, but tied Conoco's hands when it had to expand in a hurry after World War II.

• **New Pitch**—McCollum stepped into the picture expressly to change that. As

Do clerical bottlenecks leave you thirsting for information?



To get the steady stream of facts and figures he needs for sound, timely action, an executive needs a streamlined record-keeping system.

Without it, he'll have to settle for a few sketchy, inaccurate facts that are "pushed through" too late to guide his decision.

But with modern, simple McBee Keysort methods, management can keep up-to-the-minute tabs on every operation, spot developing trends, be in a position to beat competition to the punch.

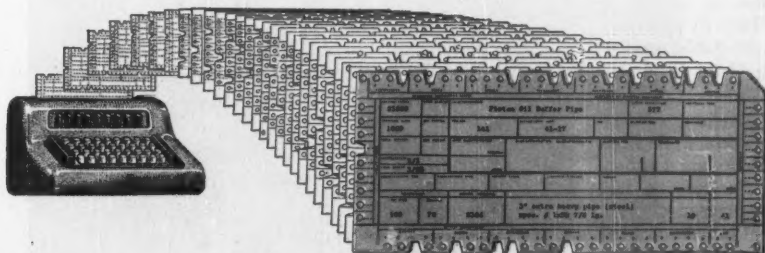
With your present personnel, without costly installations, Keysort cards and machines provide accurate, useful management controls at less cost than any other system. When notched,

the precoded holes along the edges of the Keysort cards make it easy to *collect* a wealth of data . . . *classify* it . . . *summarize* it . . . *file* it . . . *find* it . . . *use* it . . . quickly and accurately.

And because Keysort cards serve as original records, retained from first notation to final report, the delays and errors risked by copying and recopying are completely avoided.

No wonder McBee sales have multiplied *tenfold* in just a few short years, among executives in every kind of business.

The trained McBee representative near you will tell you frankly whether or not McBee can help you. Or write us.



THE McBEE COMPANY



Sole Manufacturer of Keysort—
The Marginally Punched Card
295 Madison Ave., New York 17.
Offices in principal cities.
The McBee Company, Limited,
11 Bermondsey Road, Toronto 13

YOU

can be proud

of your part in building a better America

Something wonderful has happened in our country during the past 10 years, and you have been a part of it.

It all started during the first dark days of World War II.

One of Uncle Sam's biggest problems was how to get a thousand and one things done *voluntarily* on the home front. Public-spirited business leaders offered their services *free*.

They formed the Advertising Council to tell the story. They called upon America's unmatched communications forces to help. Soon millions of messages were going out in magazines, newspapers, radio and posters, without cost to the taxpayer.

Wars take money. So the Council got behind the Treasury's War Bond Drives, and the nation responded as it always does to a just cause.

Wars chew up raw materials fast. So the Council helped Uncle Sam conduct salvage campaigns for metals, fats and paper. Again *you* met the need.

Then came campaigns on forest fire prevention, Victory Gardens, "loose talk," rationing, nurse recruitment and many others. And each time, when they learned the need, the people acted.

But this voluntary service did not end with the war. By popular demand, it began to help such peacetime causes as Savings Bonds, Highway Safety, Community Chests, Red Cross, Economic Education, Crusade for Freedom, Better Schools, Civil Defense and Blood Donation.

Over a billion and a half dollars in advertising space and time have been given freely by American business to do these vital jobs in the public interest. Hardly an American but knows about them and has had some part in their progress.

This publication salutes the Advertising Council on its Tenth Anniversary as a wonderful example of American teamwork. Its achievements are a tribute to the whole American people—to business that supports its activities—to all those devoted workers, in so many fields, who have helped to tell you what needed doing. But most of all to *you* who did it!



(Advertisement)



Reminded by ads like this, contributed by the magazines of America at no cost to Uncle Sam or the taxpayer, you now own over \$35 billion in Defense Bonds.

What the Advertising Council Is ...and what it does

As it starts on its second decade, the Advertising Council is a fine example of the conscience of America in action. It is a voluntary organization—independent, non-profit, non-partisan—dedicated to the welfare and progress of all our people.

It is composed largely of advertisers, agencies and media, including magazines, newspapers, radio and television, the outdoor and transportation advertising groups.

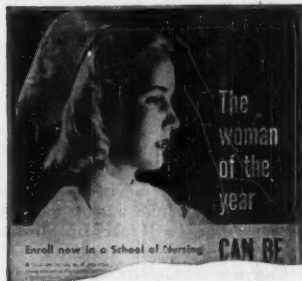
The Council's budget is contributed by business generally. Space and time for Council programs are donated by advertisers and media. Advertising agencies provide free all the creative talent needed for the preparation of campaign materials.

As the first organized, systematic method of getting important messages to the public quickly, the Council annually reviews hundreds of requests

for help from government agencies and leading non-profit organizations which have learned that advertising—through simplification, dramatization and repetition—gets things done.

Closely associated with the Council is an Industries Advisory Committee consisting of 38 business leaders and a Public Policy Committee which evaluates requests for campaigns. The latter includes 20 leading representatives from the fields of management, labor, education, agriculture, religion, medicine and journalism.

All these good Americans have accomplished much by working together. But so much *more* still remains to be done! This publication is confident that the Advertising Council will continue to do its part by giving you the facts about national problems as they arise, so that in the future as in the past, they will be met in the traditional voluntary American way.



You learned of the nurse shortage from ads like this, many of them contributed by daily, weekly and labor newspapers. During the past five years, 418,000 young women have responded.



We must increase American productivity if we are to meet our defense needs and maintain a strong civilian economy. House magazines of leading companies carry ads like this regularly.

(Advertisement)



When scrap is needed quickly to keep our defense plants rolling, ads like this, sponsored by leading business and trade publications, help to make that need known.



The messages you see and hear over radio and television on behalf of national causes such as Better Schools, Blood Donors, CARE, Fight Inflation and Racial and Religious Prejudice, are scheduled by the Council. Stars, advertisers, agencies, networks and local stations all cooperate.



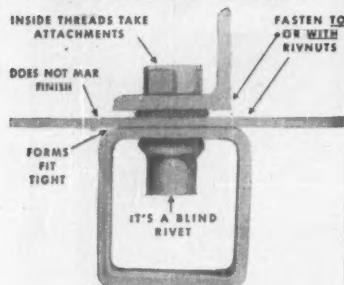
The posters along the thoroughfares and in your transportation vehicles often carry messages in the public interest. The space is given by the Outdoor and Transportation advertising industries.

The Council also serves American Cancer Society, American Heritage, Boy Scouts, Brotherhood Week, Christmas Seals, 4-H Clubs, Flag Day, Girl Scouts, Heart Fund, Religion in American Life, Salvation Army, United Negro Colleges, and many other projects in the public interest.



McGraw-Hill
PUBLISHING COMPANY, INC.
330 WEST 42nd STREET • NEW YORK 36, N. Y.

NEW FASTENER CUTS ASSEMBLY COSTS

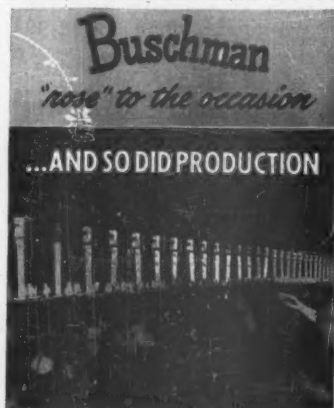


RIVNUTS—the only one-piece blind rivet with threads—can be installed by one man in two seconds with an easy-to-use tool. Serves as a blind rivet for hard-to-reach places where ordinary fasteners won't work. Has at least six clean inside threads for attaching additional parts. Fasten to it, *with it*, or both! Man-hours of assembly are greatly reduced.

FREE DEMONSTRATOR—shows with motion how Rivnuts work. Write to The B. F. Goodrich Company, Department B-121, Akron, Ohio.

B.F. Goodrich RIVNUTS

THE ONLY ONE-PIECE BLIND RIVET WITH THREADS



BUSCHMAN OVERHEAD CONVEYORS SOLVE "TOUGH" YET DELICATE PROBLEM. "During Christmas week we processed a half million roses on our BUSCHMAN Universal Conveyor with the minimum of overtime ever recorded and a reduction of rejects," says Hill Floral Products Co. "We don't believe we could ever go back to the old way of grading." Whether it's "heavy" or "bulky," Buschman Cable Trolley Conveyors will increase profits and production. Write for your copy of new catalog, Bulletin No. 41.

Buschman
Conveyors
THE E. W. BUSCHMAN CO., INC.
4477 Clinton Ave. Cincinnati 23, Ohio

he sees it, it wasn't his job to bring oil knowhow to Conoco. It had that—it's still staffed at the top by men who worked under Moran and a couple who go back to Marland's time. Instead, McCollum brought management savvy. The key to that, in McCollum's eyes, is decentralization. His aim has been to delegate authority from the top right down to the men in the field.

Around him, he gathered a staff of top-notch experts in exploration, marketing, production, manufacturing, research. He split Conoco into six regions (plus Ponca City), all but two headed by vice-presidents. Each region is a small-scale Conoco, handling all phases of the business in its own area. Each region does its own hiring and firing, gives raises (within company-set limits), operates on a yearly budget.

At the top a management advisory committee coordinates companywide operations. "That way," says McCollum, "we are making general oilmen of what once were specialists."

• **All Set**—McCollum is satisfied that he has the organization to give him the decentralization he wants. But he constantly pushes his subordinates to let go of decision-making. He gives his vice-presidents full responsibility and authority, expects them to do the same with their own people.

To McCollum that's basic to modern management thinking. But to look at him you would never guess that's what he believes and preaches, in and out of his company. He's tall and tough-jawed, could easily pass for a plain-clothes Texas Ranger. As a kid, he roped steers on his father's ranch, has the swagger of a hard-bitten cowboy. When he puts on his wide-brimmed hat, he looks like the man of action ready to shout an order, not the student of modern management he considers himself.

• **McCollum's Price**—Life in Houston suits him—a gracious Southern home, an occasional visit to Glen McCarthy's Shamrock Hotel (its plushiness embarrasses him, though). But he made Conoco cough up a hefty salary (plus other long-range inducements) and give him full operating control of the company before he'd leave Jersey Standard and his Park Avenue apartment.

Coming to Conoco was probably the hardest decision McCollum ever had to make. He insists he didn't want the job, only took it because the directors (including George Whitney, J. P. Morgan partner and chairman of Conoco's executive committee), accepted his terms. His career has been wrapped up in Jersey from the start.

• **Brains Plus**—In high school, he took a liking for journalism (straight A's in English and languages), carried that to college. Geology, a snap course, side-

tracked him. Like any other smart Texan of the '20s, he set out to be an oilman. His first job was as a scout with Humble Oil & Refining Co., a Jersey subsidiary. Nine years later he went to Carter Oil Co., another Jersey company, as exploration manager. He became president of Carter, then was tapped for big things by the parent company in 1943. A year later he was top coordinator of all Jersey's production. Many figured he was in line for the presidency.

McCollum credits his rise to the top to something besides brains: "I was promoted every time because I worked myself out of a job developing men under me. Matter of fact, sometimes they were a lot better than I was."

Not that a nose for oil didn't help. McCollum, in his enthusiasm for general management, probably underrates the push his petroleum savvy gives him.

• **New Sights**—His goal for Conoco: "To make it the best damn oil finder in the business. All the management knowledge I have can be a pack of words, but if we find just one good oil field it'll wipe out any mistakes we might make."

Beyond that, he wants to bolster marketing and manufacturing. Conoco sells in about 23 states making up the midcontinent (it gave up its Eastern marketing in 1949). Since McCollum, 200 filling stations have been built or remodeled. The program is stymied by restrictions now, but will get under way again when they are lifted.

Manufacturing almost equals crude production, but in the long run Conoco will remain a net producer, selling excess crude to other companies.

Petrochemicals, with a nucleus plant at Baltimore, is Conoco's big project now. Early this year McCollum named a young chemical engineer to come up with a batch of new products to match Conoco's carbon black and detergent lines.

• **Yardstick for Progress**—When McCollum talks to outsiders he'd rather expand on his favorite topic, management, than on the oil business. He is more complimented if you tell him he has a great team of men under him than if you brag about his company's record since he became top dog.

His program of decentralization still has a long way to go, McCollum admits. But the company today is probably more decentralized than most. All his ideas are set down in a Conoco organization manual and a policy and procedures guide. It takes time to translate that from paper to action.

One way McCollum figures his progress: "When I first came here, they called me Mr. McCollum. Now it is Mr. Mac. Someday they'll drop the Mr."



BEAM, BIN OR BOXCAR Plywood Fits The Picture



AMERICA'S BUSIEST BUILDING
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PUZZLED BY SHORTAGES? Count on plywood to help you *right now!* This wonder-working wood can keep your production humming—and, chances are, it will do the job far better than the material it replaces. Take built-up beams. Generally considered steel's domain—yet a plywood box beam is stronger than a steel beam of equal weight, and is easy to fabricate and install with conventional tools. Bins are another "made-for-plywood" job. And railroad cars, too, are better-built with plywood—over 100,000 now ride the rails. The newest plywood car is the revolutionary *Unicel*. Tons lighter, stronger than conventional cars, the all-plywood *Unicel* is built 20% faster. Yes, versatile plywood fits the picture for these and a thousand other jobs—in construction, remodeling, maintenance, packaging, product improvement. For details, write Douglas Fir Plywood Association, Dept. 4112B, Tacoma, Washington.

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Douglas fir plywood is
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...into thin wood sheets
which are inseparably
cross laminated...



...to form large, light
panels having beauty
and great strength



MARKETING



TV SHOWING of goods helps Washington store ride the latest merchandising wave, as...

Shoppers Grab for the Phone

More and more Americans are doing their buying via the switchboard instead of the counter. It's convenient for the customer. But some stores frown at the costs.

It may be, as one midwestern department store man insists, that Americans are just getting plain lazy. When they want to buy something, they pick up the phone instead of trudging all the way downtown. Perhaps his analysis is right. But what really matters, at least to most merchants, is the fact that this national tendency to pick up the phone when you want something is markedly changing retailing patterns.

A nationwide survey by **BUSINESS WEEK** shows the extent to which shopping by phone has grown since the war. Sears, Roebuck offers as good evidence as any of its fast growth. Sears goes so far as to attribute its postwar increase in mail order volume largely to its telephone order service, which it calls Tele-Thrift Service. Sears employs between 500 and 600 people to handle the service in 50 metropolitan areas. In the New York area alone, the service handles 10,000 to 15,000 orders a day.

• **Way Up**—There's plenty of other evidence. Department stores have experienced a whopping increase in phone

business. In Knoxville merchants guess that phone order business has doubled in the past few years. Cleveland puts the gain at five or 10 times the 1937 figure. Detroit says volume is up 20% or 25% since the end of the war. A Chicago department store states postwar phone business has grown at twice the rate of gain in over-all business.

So far, the volume accounted for by phone orders is only a small part of total sales volume. But it's growing, and what's really significant is the way it varies with the amount of effort that merchandisers put behind it. Thus, in Richmond and Salt Lake City, where department stores have lagged in promoting phone orders, they account for only about 3% of sales. In Cleveland observers put the percentage at about 5%. And in cases where stores are doing a bang-up job, the total can shoot up to 8%, as at the Los Angeles department store with a phone order volume of some \$3-million a year. A Kansas City store also reports a volume of 8% by phone; another one puts its phone business at 10%.

During Christmas, of course, phone orders take a real spurt. Some stores report 12% or more at the peak.

• **No Novelty**—What accounts for the growing popularity of phone shopping?

As everyone knows, it is not new. The idea is about as old as the phone itself; at the turn of the century phone shopping was an organized service. The big Rochester (N. Y.) department store of Sibley, Lindsay & Curr had a phone order service for groceries back in 1906.

You can attribute a large part of the growth of telephone shopping simply to the fact that it's a convenience. It goes hand in hand with growing prosperity. More people have phones than ever before, and more of those same people have more money with which to buy things merely by picking up the phone.

The big stimulus, retailers agree, came during the war, when we had gas rationing and people couldn't get downtown. Shippers found the telephone worked fine for a number of items, and they've been using it ever since.

But laziness is still only a partial explanation. Perhaps most important of all factors has been the growing decentralization of the nation. Stores have been following people out to the suburbs and into new areas like the Southwest, but not fast enough. Branch store inventories haven't been sufficiently broad. So people call direct to the downtown store. Or they call the nearest mail-order-taking office.

• **Baby Boom**—Traffic and parking problems make people use the phone. Our big postwar baby population has helped keep women shoppers at home. They can't get baby sitters, so they phone. This in turn helps explain why children's clothing ranks high on the list of things that are bought via phone in many department stores.

There's another important factor in the growth of phone shopping, one that some retailers are inclined to put first in importance: Many branded goods are presold by advertising. "People see something in the Saturday Evening Post, and they call us up and order it," says a Salt Lake City furniture man. A southern department store executive points out that "the customer has bought this sheet or towel before and knows exactly what she'll get when she orders over the phone."

• **Integrated**—There is also, of course, a close tie between phone ordering and the store's own advertising. Most phone orders are stimulated by the ad for that specific \$4.98 house dress in this morning's newspaper. Others spring from store catalogs. There is a close correlation between phone order and mail or-

der business in department stores.

The tieup between advertising, mail order, and phone order is illustrated by a Christmas promotion put on by the Hecht Co. in Washington, D. C. The store expands its regular weekly television show, "Shop by TV," into the "Christmas Catalog of the Air" (picture, page 74). Each customer gets a Hecht Christmas catalog; three nights a week the TV show features items in the catalog. During the show and for an hour after it, a special corps of girls takes orders for delivery the next day.

• **Contrary Minded**—A lot of department store people have taken to the phone selling idea very slowly, however. Many of them have had to be pushed into ordering the special switchboard equipment needed for an order-taking system. These installations are big things, with places for 60 or more girls in some cases, a big enough board to take care of a city of 12,000 or more.

The opponents of phone ordering produce a lot of arguments. An upstate New York merchant calls it the "least satisfactory" way of selling, thinks people ought to see the things they buy. A Worcester (Mass.) department store man expresses a common fear when he says phone shopping ruins impulse buying. "The idea of merchandising," says he, "is to get people into your store."

• **It's Costly**—That's only part of the objections. The biggest argument is cost. Opponents say that it creates a lot of returns because people don't see the goods beforehand. Also, phone selling is almost all delivery, and delivery business is expensive business (at 30¢ or more a package). Furthermore, you add to these costs the extra cost of running the service (salaries, etc.).

Some stores are very serious about this angle. A Salt Lake City store after the war promoted phone ordering heavily, ran it up to 6% of sales. Recently, it de-emphasized the service in a successful effort to bring it down to 3% of sales. Reason: It cost too much to be profitable.

The evidence on both sides is scattered and confusing; probably little is really known about the subject so far.

Even most of those who favor phone business admit it is expensive. But they dispute some points raised by the opponents. One store in Detroit figures that returns on phone orders are only 1.2% higher than on store-bought merchandise.

A few stores even say that phone order business is inexpensive. They point out that one order taker over the phone takes many more orders than a salesperson on the floor.

• **Size of Order**—The successful operators have a word of warning: Don't stress low-priced merchandise in your

phone business. Many department stores say that as long as orders average around \$5 or \$6 they make out all right despite the costs. Below that they lose. Some stores have a policy of not taking phone orders for less than \$2 or \$3. Others charge for delivery.

As you might expect, the goods favored by phone shoppers are mainly staple or branded items—sheets, socks, underwear, towels, pots and pans, inexpensive apparel, books, children's wear, curtains, shirts, drugs, work clothes. Some department stores do a big phone business in groceries. Occasionally, stores get orders for \$285 television sets or for carpeting, but this sort of thing is still fairly rare.

In an effort to get business, phone-minded department stores are using various techniques today. Here are a few of the more popular ones:

Personal service. The stores try to get rid of the impersonal aspect of phone shopping by inventing phone personalities. In Cincinnati alone there are Nancy Lee, Jane Alden, Laura Lane, Norma Fay, Gloria Lee. You may get one of a dozen girls at the switchboard, but it gives you someone to ask for.

After-hour service. Some stores are experimenting with answering services after the store closes. There are even 24-hour phone shopping services.

Free calls. Many stores have phone numbers listed in suburban towns under what the Bell System has designated as "Enterprise" exchanges. An Enterprise number makes it possible for the out-of-town customer to call at the store's expense.

Department stores and mail order chains are the big wheels in phone shopping, but they're not the only ones in the business. There are a number of specialized stores that have made a roaring success with the phone. One is the old Boston food specialty house of S. S. Pierce, which did no less than 50% of its business by phone last year. Another is New York's famed toy store, F. A. O. Schwarz (BW—Dec. 15 '51, p. 104), which does a lot of its business over the phone. Both of these stores cater to the carriage trade and have a high proportion of charge account customers, which makes phone business easier and less expensive (C.O.D. delivery is the most expensive type of business). Both stores also combine phone ordering with a heavy mail order business.

But these aren't the only ones who are making a good thing out of the telephone. Take Tommie Luke's florist shop in Portland, Ore., which does 75% of its business via phone. Or take the Webb hardware store in Rochester, N. Y., which does the major part of its business by phone. In Salt Lake City you can even arrange for a personal loan over the phone.

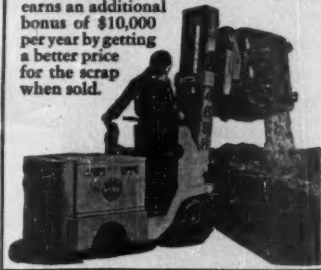
*Who Profits Most
from the sale of a
BAKER TRUCK?*

*MANUFACTURER?
TRUCK SALESMAN?
BUYER?*

You be the judge:

- A Baker Truck saved a PUBLISHER the cost of building a new warehouse by better utilization of space, and paid for itself in a few months by cutting handling costs.
- A SOFT DRINK BOTTLING PLANT is saving \$4,000 per 24-hour day by improved handling with two Baker trucks.
- A METAL FABRICATING PLANT cut loading and unloading costs 75% with a Baker Truck and eliminated the necessity for interrupting production to build a ramp and dock.
- In a STEEL WAREHOUSE, 3 men and a Baker Truck now handle work formerly requiring 6, 8 and 10 men—often with overtime.
- A CHEMICAL PLANT quadrupled its volume without adding to its handling labor staff or warehousing capacity.

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SELL IT IN PIECES Stores boost cut-up turkey for today's budget-minded housewife

and today's smaller family. The aim: to spread turkey sales on both sides of Thanksgiving.



SELL IT WHOLE Shopkeepers point out that it's a good buy if you get the whole bird. Naturally, they like to sell this way.



COOK IT Woolworth's offers turkey on its menu every day.

How to Sell Thanksgiving All Year

Time was, not long ago, when turkeys were dead ducks for 11 months of the year. Turkey turned up on the table on Thanksgiving day, period. Five years ago 80% of the turkey crop was marketed in November.

Today nearly half the turkeys raised in the U.S. are sold outside the holiday period. Turkey consumption has gone up from some 2.6 lb. per person in the late '30s to 5.5 lb. in 1951.

And growers, who used to sit out a long, profitless wait, are growing more turkeys than ever before—nearly 52.8-million birds this year.

Of course, the high price of meat has helped the turkey as it has helped chicken (BW—Sep. 15 '51, p106). And science, which has built better birds (BW—Nov. 17 '45, p44), has played a part in developing birds that appeal to the housewife and in teaching the

farmer how to grow more birds without too much extra cost. But the National Turkey Federation thinks the thing that really did the trick was its "Eat More Turkey" campaign. Specifically, NTF gives the credit to David W. Evans—the Salt Lake City advertising man who put on the campaign.

• **Talking Turkey**—It started at a convention of the federation back in 1945. The convention was full of gloom. A



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And many a corner drug store keeps up "hot weather" business by using Worthington air conditioning to "invite" more customers.

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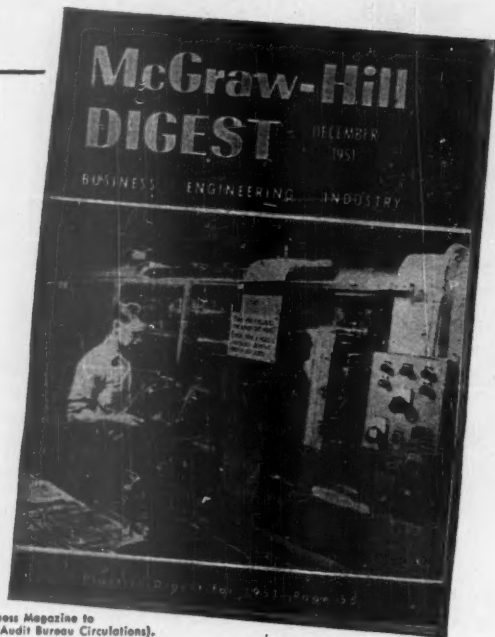
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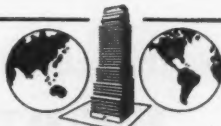
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lot of birds were still in storage after the holiday season. That meant a surplus on the market, lower prices, losses for some growers.

The federation voted to spend \$5,000 on an experimental advertising drive during the coming year. Evans had already promoted turkeys for the Norbest Turkey Growers Assn. and the Utah Poultry Cooperative. NTF called in Evans and told him to go to it.

• **He Convinced Them**—The first year, Evans concentrated on selling the bird to institutions. He persuaded hotel and restaurant operators, hospitals, schools—even jails—that turkey was a good, economical, all-round meat; it was good for salads and sandwiches as well as for the main course. He got some institutions to take part in a "research" program to see how economical turkey was.

Next he went to work on the tom turkey problem. The trouble was that since 1930 the tom has grown 50% bigger. Meanwhile, the U.S. family has grown smaller. So the big ones weren't selling, and as a result prices had dropped. Sometimes the price difference between toms and small hens was as much as 18¢ a lb.—with the toms on the bottom, NTF says.

Evans convinced restaurants that toms were just about as tender as the hens and that pound for pound they were meatier. He succeeded so well that today the price differential is only about 7¢ a lb.

Another factor was the development of a new breed—the Beltsville small white—by the Dept. of Agriculture. Production of this breed went up 55% from 1950 to 1951.

• **Cut 'Em Up**—The Dept. of Agriculture had experimented with cutting turkeys into halves or quarters. Evans went the department one better. "Many people eat lamb," he argued, "but very few of them buy a whole lamb at a time." He cut the bird into 16 pieces. A Salt Lake City grocery store tried it out, sold more turkey in May than in the previous November. To help push this piecemeal merchandising, Evans' agency offered butchers and chefs courses in carving. Today many stores sell turkey by the piece—and offer special bargains besides to buyers who'll take their whole.

Nearly every trick in the book got a going-over. Evans also promoted the sale of eviscerated (ready to cook) turkeys. He publicized new turkey dishes. He put on a "turkey for Easter" drive. And he capitalized on the frozen food industry.

Officials of NTF say Evans' campaigns, in three years, have sold \$30-million worth of turkeys that otherwise would not have been sold. They have upped his budget to nearly \$100,000 a year.

MARKETING BRIEFS

"We won't let them get away with it," says Rep. Emanuel Celler, chairman of the House Judiciary Committee. "They" are the druggists who want to bypass Celler in getting fair trade back on the books (BW-Nov.17'51,p50). They managed to get the McGuire bill, which they are plugging, sent to the Interstate & Foreign Commerce Committee rather than to Celler's committee.

The latest supermarket to include an infants' and children's wear department will be the Baltimore Markets, now being built in Lancaster, Pa. Charles and Jacob Caplan, who have run a children's apparel store for years, will operate the department under a leased-space deal—a practice that is now spreading in the East.

A big orange crop—4% larger than last year's—is causing growers' pains. To help out, Agriculture Dept. bought 186,000 cases of concentrate to distribute in school lunch programs. Meanwhile, says Snow Crop, sales of the frozen citrus industry for the week ended Dec. 1 reached a record volume.

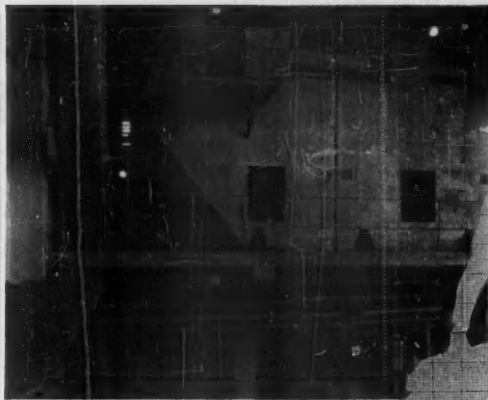
Advertising techniques of some TV outlets are under fire from Better Business Bureaus in several cities. Targets are Lee TV and House of Television, which shares an officer with Lee. Objection: phony contests and pressure to apply the \$100 prizes to buying the company's own private-brand sets.

Bissell carpet sweepers will bloom like a rose next month. The new Fashion Color line will come in bright hues—yellow, green, blue, and red. The idea: to make the sweeper stand out better in store displays.

Operation Dinner Pail is what Nedick calls its plan to sell a packaged meal for schools, plants, and offices. The pail will be a carton that holds two sandwiches, dessert, beverage. Prices: from about 45¢ to 70¢.

Furniture store sales for last month topped those of November, 1950, by 11%, says National Retail Furniture Assn. That's the first time since February that they have scored a plus over 1950's corresponding month.

Well fed, well equipped, and likely to stay that way: That's how the U.S. looks to Cornell University's College of Home Economics. Women make up a third of the labor force, partly because appliances cut housework. They've bought 48-million electric irons since the war.



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FINANCE

How Tough Is It For Small Business?

● A new study by the Dept. of Commerce suggests that the little man doesn't have such a hard time getting capital as most people think. And interest costs don't bar him from borrowing.

● Two out of three concerns get their new capital from earnings and other inside sources. Most of the others get what they need from outside sources.

● But a good many small companies complain about collateral and about not getting credit for long enough terms.

As far as finances go, small business is neither so small nor so shaky as a trust-conscious public would think. That's the conclusion of a study just published by the Office of Business Economics of the Commerce Dept.

It's a conclusion that clashes with one of the most firmly established ideas in U. S. economic mythology.

Ever since the trust-busting days of Teddy Roosevelt, the idea has grown that small business gets all the hard knocks, big business all the breaks. This worries people who think it's a dangerous trend. It has also worried small businessmen, and they haven't suffered in silence.

• **Enter TNEC**—Back before World War II the Temporary National Economic Committee went into the matter. A study made for TNEC by a group of economists found that depression troubles had hurt the credit standing of small business, that small operators couldn't count on credit when they needed it unless they paid high rates. The only remedy TNEC could agree on, though, was tax incentives for "new, independent businesses."

The TNEC was afraid that the bad credit standing of many small companies would weaken all small business in the long run. Because it lacked capital to seize opportunities, TNEC said, small business would fall further and further behind big business in the race for markets.

One wing of the TNEC wanted the government to underwrite small-business loans and buy nonvoting preferred stock where it was offered by small companies. This idea failed to win a place in the final report, but it's a sample of how thinking ran in 1941.

• **Truman's Program**—The TNEC study gathered dust till 1950, when

President Truman made up a package of small-business recommendations to Congress (BW—May 13 '50, p. 24). He proposed government insurance of loans to small business, "capital banks" to provide equity capital and long-term loans, easier terms for RFC loans to small business.

Truman's message got a cold shoulder from Congress. But it started economists poking into the facts again. And a lot of the facts didn't seem to jibe with the old ideas.

Instead of falling behind big business and needing government props, small business actually seems to have done a bit better than its big brother in the past 10 or 12 years.

• **More Pie**—Latest available figures show that small businesses are getting a slightly larger slice of the sales pie than they got in 1939. Unincorporated retail businesses (which usually are small) did 51.7% of total sales in 1939 and 52.3% of total sales in 1948 (BW—Jun. 16 '51, p. 144). Unincorporated manufacturers contributed 7.7% of the total value added by manufacturers in 1939, about 8.1% in 1947.

A rather limited survey by the Federal Reserve Bank of Minneapolis (BW—Dec. 11 '48, p. 74) points in the same direction. It found that small business wasn't having such a hard time finding capital.

• **New Study**—The Midwest report intrigued Commerce Dept.'s Office of Business Economics. OBE decided to make a broader study to learn:

• How much equity and debt capital small and medium business needs.

• How much of this demand is unfilled under present conditions.

• What type of need is least likely to be filled.

Last week OBE reported what it found out. Its November Survey of Current Business analyzes the replies of 100 concerns in interviews and about 150 companies that responded to questionnaires. Queries covered both manufacturing and retail trade.

OBE's study of credit conditions drew figures from the last half of 1949 and the first half of 1950. That was a fairly normal year, with a mild recession in late 1949 offset by a boom in 1950. OBE's sample was smaller than the bureau would have liked, but the outbreak of Korea sent the staff to problems of defense financing. OBE also left out of the survey all businesses that are solely owner-operated—the kind that usually has the most trouble getting capital. The largest manufacturer reported in the survey had employed 261 persons in first-quarter 1948; the largest retailer had employed 30.

• **Findings**—OBE found an "almost total lack of indication" that small companies were looking for equity capital from outside. One reason, of course, is that many small companies think there is no point in looking. They assume—often rightly—that small, localized companies can't get equity capital in the regular market without paying a high price for it.

But there is another and perhaps more important reason: Owners of small businesses are usually anxious not to lose control of their companies.

And there is still another factor: About 65% of the companies surveyed, in both manufacturing and retail lines, reported they got all the capital they need from internal sources—earnings, reserve funds, and the like.

• **Borrowing**—About 20% of the manufacturers and 30% of the retailers said they got all the debt capital they needed from outside sources. Added to the 65% who financed themselves, this left only about 15% of the manufacturers and 5% of the retailers who were unable to get all the debt capital they felt they needed. And most of these managed to borrow at least part of their needs. Manufacturers usually wanted more money, so more of them were unsatisfied.

OBE estimated that total demand for debt capital by small and medium-sized companies in the 1949-50 period was \$6-billion—of this, \$1-billion was "desired but not obtained." The \$6-billion included both original loans and renewals of old loans.

This figure, of course, is very ap-

proximate, because the sample was so small. It doesn't include ordinary trade payables—that is, bills arising out of the normal course of business.

• **The Lenders**—What lenders were most important? As you might expect, commercial banks did the lion's share of the financing: 66% of the individual loans, 79% of the total money lent. Insurance companies came into the picture mostly through loans on policies. Small-loan companies (which in OBE's terminology includes finance companies) also were a source. These, along with loans from friends and relatives, were usually considered a last resort.

• **The Terms**—The survey found that only about half the loans were for periods of 90 days or less, which used to be the typical period of a business loan. About 24% of the loans, involving 26% of the total dollar amount, were "term" loans—that is, for a period of a year or more. That's in line with the increased tendency of commercial banks to make term loans to big corporations.

The study did not indicate what the length of the average term loan was. But it did suggest that what small businessmen need are term loans of from five to 10 years. On the basis of other studies, it looks as if most term loans to small business run from one to three years.

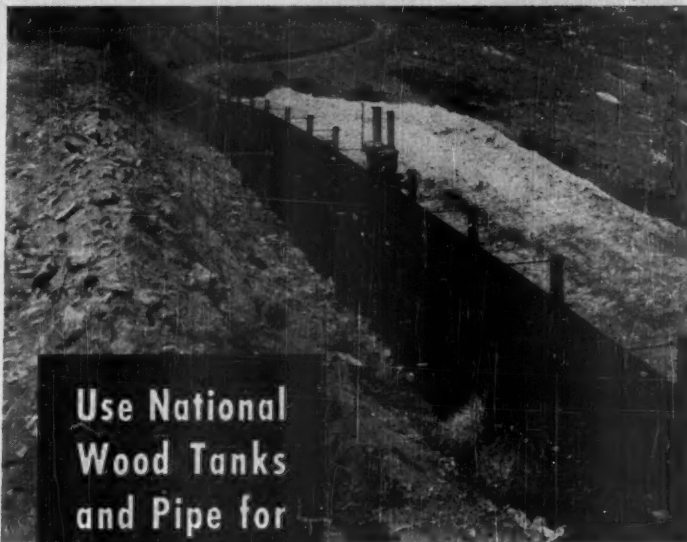
The median interest rate—that is, the rate charged on the typical loan—was about 5½%. However, about 45% of the total dollar amount of loans was for 90 days or less, where the average rate charged was 4½%. A good many borrowers (34% of loans; 27% of total amount) had to pay 6% or more. But in any case, few of them mentioned high interest rates as a reason for not borrowing.

• **The Collateral**—Not surprisingly, small businessmen didn't see eye to eye with their banks on the amount of collateral they were required to put up. Both actual borrowers and would-be borrowers seemed to feel that lenders wanted more collateral "than seemed justified by the size of the loan requested or the financial condition of the applicant."

• **Turndowns**—Why did lenders refuse particular loans? Naturally, the main reason must have been that they thought the loans too risky or the collateral insufficient. But a more detailed reason in many cases is probably that the borrowers wanted the money for fairly long terms. That still seems to be a big problem.

OBE thinks that banks may have been too hard on some small borrowers. It thinks some concerns that have been turned down on requests for loans could prove that they are good, bankable risks.

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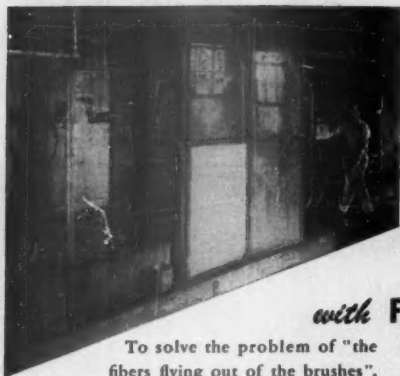
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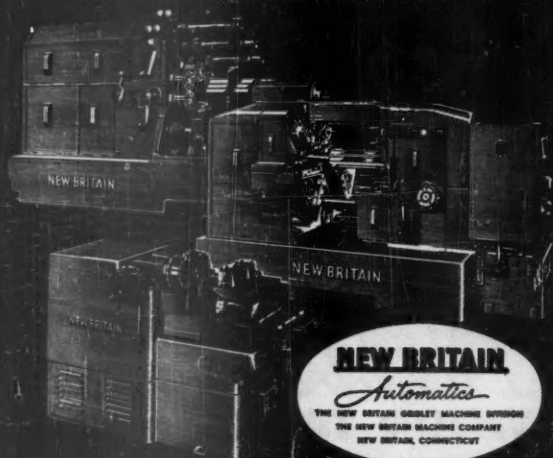


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\$1.6-Billion Horse Bets Rich Lode for Taxes

Horse racing is big business these days—and the betting that goes on at tracks is a big source of revenue to state and local governments.

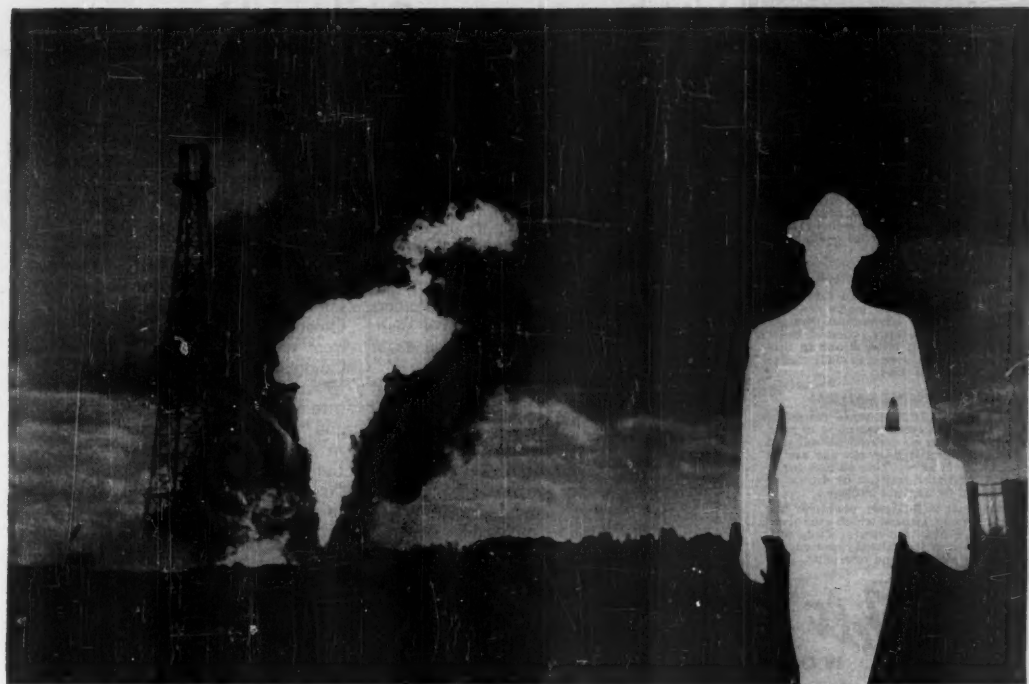
According to a survey of U.S. thoroughbred tracks by the United Press, horseplayers put up nearly \$1.6-billion during 1951, compared with about \$1.4-billion last year. That's a gain of 14.3%, which compares very closely with a 14.4% increase in the attendance at tracks. Attendance went from 22.8-million in 1950 to 26-million this year. This doesn't include the increasingly popular sport of harness racing, which also pulls in quite a lot of people and revenue.

• **New York State**—Figures are not in yet on tax revenue for the 23 states where betting at the tracks is legal. But it is known that New York—the No. 1 state for horseplayers—collected a record \$35-million from its pari-mutuel tax, admissions tax, racing license fees, and uncashed winning tickets. In the 12 years betting has been legal in New York, the state collected \$286-million. Since 1940 absent-minded gamblers have neglected to cash \$2-million in winning tickets.



Erie's Big Deal

Nine-year-old George S. Edgar is an Erie R.R. fan. George wanted to buy some Erie stock, so he wrote to Erie's president, Paul W. Johnston. Erie common is selling around \$17.50, and George's piggy bank yielded only \$11.25, but Johnston made up the difference. George got his stock certificate last week, and the Erie got some nice publicity.



Goodbody & Co. Continues Quest for Investment Values On Canada's Oil Frontier

Fabulous discoveries of oil and natural gas in western Canada are opening new frontiers of opportunity for investors.

To discover which of the Canadian oil companies offer investors the best prospects for growth, Goodbody & Co.'s petroleum analyst has recently returned from a **4,450 mile trip** to Calgary, hub of Canada's oil country. He visited 20 companies on-the-spot, interviewed 30 executives as well as the oil representatives of the three leading Canadian banks.

"A Texas of Tomorrow"

This analyst is a veteran of many similar trips to U. S. oil centers—3,025 miles to Texas and 4,950 miles to California in 1951 alone. In Canada, he knew who to see, what to ask. The new perspectives he gained

forms the basis for "A Texas of Tomorrow", the feature article on Canadian oil stocks in our Monthly Market Letter.

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Airline Merger Cooking Up

Colonial's management has accepted National's offer.
But stockholder factions of both lines may balk.

National Airlines, Inc., is anxious to absorb Colonial Airlines, Inc., and Colonial's management appears more than willing to join the National merger.

Last week the directors of Colonial announced that they had accepted National's recent merger proposal. Under its terms, Colonial stockholders would receive seven-eighths of a share of National common for each share of Colonial common.

Top officials of Colonial say that stockholder approval of the merger will be "mostly a formality." Ratification of the directors' decision, they say, is certain. But whether they are right won't be known until a special stockholders meeting is held soon.

• **CAB Attitude**—Approval by Colonial stockholders isn't the only hurdle to be cleared before any National-Colonial merger can be consummated. National's stockholders also must approve. And, what's more important, the Civil Aeronautics Board must give its O.K., too.

What CAB might do is still in the lap of the gods. Most people in the airline business don't think CAB will block the deal. They find that most recent board decisions have favored similar consolidations.

• **Former Boss**—As a matter of fact, CAB approval may be easier to get than that of either National or Colonial stockholders. Here's why:

In the case of Colonial, Sigmund Janas, Sr., founder of the line, holds a large block of shares. Janas resigned as operating head last June after CAB made serious charges involving his management. But many in the trade think he is still in a position to block any merger, if he wants to.

At National, president G. T. Baker also might have difficulties in bringing his stockholders into line. One of his directors is William K. Jacobs, Jr., who tangled with Baker over management policies just last fall (BW—Sep. 15 '51, p96). He was reelected at the time, and two other directors were elected, on an "independent stockholders' ticket," despite Baker's opposition. It may or may not be significant that the dissidents' chief criticism of Baker was that he had concluded an important financial deal without getting consent of the directors in advance.

• **Rickenbacker**—Outside the Colonial-National fold is another figure who can't be happy about the proposed merger: Captain Eddie Rickenbacker, boss of Eastern Air Lines. Eastern has

been anxious to acquire Colonial, though the Colonial directors didn't mention the fact in their announcement last week. It's reported that Rickenbacker had made a merger offer, based on one share of Eastern common for two shares of Colonial.

National and Eastern have one reason in common for wanting to pick up Colonial: The merger would tend to iron out their seasonal fluctuations. Colonial flies between New York, Washington, and Bermuda; and up into eastern Canada via New York State and Vermont. Thus its peak traffic is in summer. With National, it's just the reverse. The line operates between New York and Florida, is always busiest in winter.

Oldsters Get a Break On Insurance Rates

Health in the U.S. is better, and life insurance companies are getting somewhat higher earnings on investments (BW—Dec. 22 '51, p78).

That's the reason why many life companies have been able to cut premium rates slightly since the general rate level went up a few years ago (BW—Dec. 6 '47, p19). Last week one company announced something new in the way of premium cuts.

• **Break for Older People**—The Connecticut General Life Insurance Co. of Hartford said that from now on it would charge lower rates on a broad range of nonparticipating policies—the type on which the policyholders do not receive dividends. Typical reductions ranged from 2.7% to 5.8% on new ordinary policies and from 2.2% to 7.2% on new 20-payment contracts.

Most significant thing about the rate cuts: People in their 50s and 60s get a better break on new policies, percentage-wise, than the younger men. Connecticut General's president, Frazer B. Wilde, says that this is the first time such a thing has happened in the history of life insurance. The company has found that life expectancy of older people is improving even faster than that of the young folks. And it figures that this trend will continue.

• **Stock Company**—The Connecticut General ranks 15th among U.S. life insurance companies, on the basis of year-end 1950 admitted assets. Unlike most large life insurance concerns, it is a stock company. Most big companies are mutuals (that is, their

policyholders are the legal owners of the company and share in profits each year in the form of deductions from their premiums).

However, most policies sold by the Connecticut General are nonparticipating: Their rates do not change during the life of the contract. Of course, rates on nonparticipating policies are usually lower than the nominal rates on mutual policies.

FINANCE BRIEFS

No sweetening for E-bonds was the Treasury's answer to reports that it would soon ask Congress to boost the yield from 2.9% to 3.25%. It said, however, that it would consider the matter when the government starts raising new money again this spring.

Otis & Co.'s petition for a Chapter 10 reorganization has been O.K.'d by a Cincinnati federal court, as expected, in spite of protests by Kaiser-Frazer Corp. (BW-Dec.8'51,p156).

Rex Jacobs, who told F. L. Jacobs Co. stockholders the details of his involvement with Merl Young (formerly with RFC) before the annual meeting this year (BW-Dec.8'51,p162), was unanimously reelected president in the largest vote cast by stockholders since the stock was listed.

New York State residents have twice as much liquid savings per capita as the average for the rest of the U.S., according to the state Dept. of Commerce. Liquid savings in September were estimated at \$32.7-billion, 250% more than at the end of 1939.

Equitable Life Assurance Society, which started last year to purchase rail equipment from builders and lease it to railroads (BW-Apr.8'50,p92), plans to lease 55 new diesels to the Baltimore & Ohio R.R. They're scheduled for delivery from May to September next year.

Connecticut residents and corporations pay about 28% of their income in local, state, and federal taxes. That's the estimate of Frank M. Lynch, state finance commissioner. About 15% out of a total of \$1,140-million in taxes goes to the state.

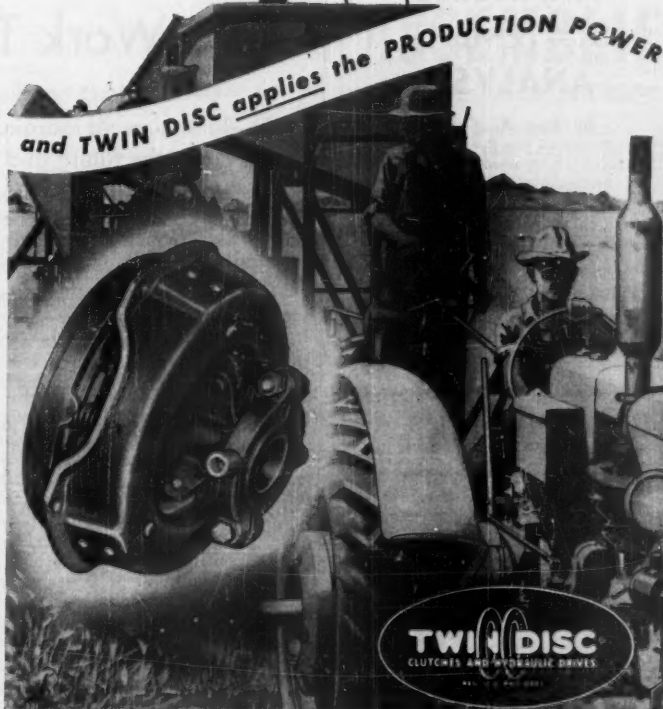
New offerings of common and preferred stock will be checked over from now on by the Voluntary Credit Restraint Committee. VCR wants to stop any non-essential equity issues. And it says lenders shouldn't feel that government tax certificates or materials allotments automatically justify loans.

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Power, properly applied, has given us more from less on farms, too. A century ago, one citizen in five was a tiller of the soil. Today, in this country, one man and his mechanized efforts "support" more than 15 persons . . . as well as raising crops that will go into the industrial hopper for plastics, chemicals, and other man-made materials.

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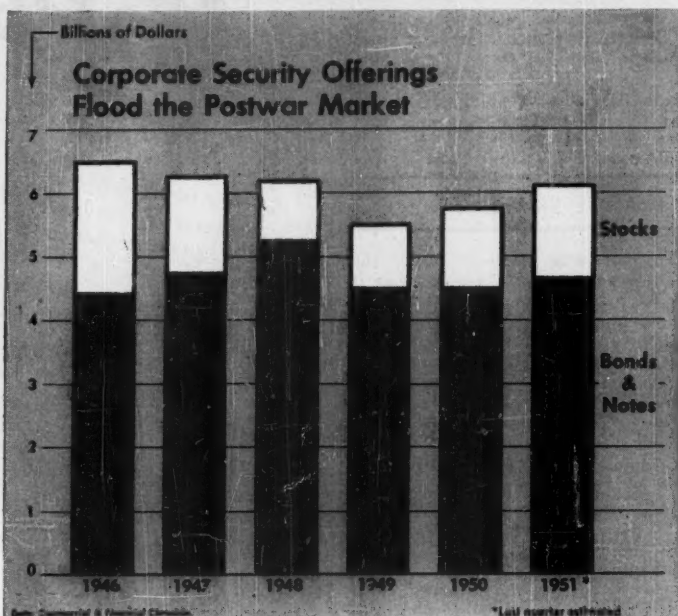
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THE MARKETS



More Work Than Profits

Underwriters handled a sizable volume of business in 1951. But thin profit margins and the spread of private placements cloud the future and imperil their sales networks.

Wall Street's underwriting houses are ending up 1951 with dry eyes; there's been nothing in the corporate new issues market this year to set them to serious weeping.

The volume of new security offerings will be well above 1950 and 1949 (chart above). And the Street is ending up the year with relatively few unsold remnants still to be handled at a probable loss.

• **What Next?**—That doesn't mean that 1951 was a bonanza year for the underwriters. Quite the contrary; a lot of worrisome matters cropped up, some with ominous possibilities for the future:

• Underwriting margins on bond offerings remained thin. This hurt. For bonds made up some 75% of new offerings, despite an encouraging rise in the amount of stock issues—which ordinarily are more lucrative.

• There were quite a few sour offerings during the year, perhaps more than average. The underwriters who handled them were badly stung, losing their profits on successful deals.

• There was a further sharp increase in privately arranged seller-to-buyer deals on new issues. The figure is likely to reach 50% of the year's corporate issues. This is the most alarming factor of all for the underwriting trade.

Corporate officials can't brush off thin profit margins and private placements as worries strictly confined to the Street. Both are symptoms of a trend. And if it develops further, that trend could mean momentous changes in the system—built up over the years—of distributing new corporate securities.

• **Bandwagon**—Years ago, when private security placing was young, Wall Street tended to laugh it off. In time, it became evident that the method had come to stay. The Street decided to make money out of it, rather than to buck it. The decision proved to be a smart one. Of late, about half of all private sales have been midwived, on a fee basis, by underwriting houses.

Trouble is, the fees aren't large. They come nowhere near replacing the

income the Street would have made had the issues been handled in the traditional fashion.

• **New Risks**—Private placement has had another catch for the underwriters: In a sense, it has added to the risks of their regular business. Here's why:

To a great extent, direct sales involve issues rated as prime credit risks. That means the Street gets fewer and fewer chances to fatten up on safe quick sellers, sold by the old method. Its living has depended more and more on the riskier type of offerings.

• **Sales Network**—There's another major reaction to consider. Wall Street has never handled the distribution of new securities all by itself. To do the job properly, it has depended on "selling groups" composed of a multitude of large and small securities dealers scattered all over the country.

These groups used to make a good living, with a satisfactory volume of new offerings and fair-sized commissions. But not any more; offerings and commissions have dwindled to a fraction of their former size. Chances are that quite a few of the painfully-put-together selling groups would be out of business today, if they hadn't hitched their wagon to the galloping investment trust business.

Clearly, Wall Street gets the blame for chopping down the commissions of the selling groups. But conditions virtually forced the ax into its hands. Investment bankers are competing bitterly for the privilege of handling the shrinking amount of public issues. That means high bids. And high bids mean lower commissions.

More and more Wall Streeters are wondering how long it will be before their elaborate coast-to-coast selling networks begin to disintegrate. The fears may be exaggerated. But the pessimists have a tough answer for skeptics: "How long can you expect a person to stick to a job that doesn't pay a living wage?"

Experts Pick Stocks For 1952

In Wall Street there is practically never any such thing as a unanimous opinion about the market. One expert's "good buys" more often than not will be another's "good sales."

At the moment, however, the Street seems to agree on one point: 1952 is very likely to produce a stock market that is even more "selective" than it has been in 1951. As most experts see the picture, the current battle between deflationary and inflationary forces is slated to continue for some time. While that's under way, they

say, some trades will be affected by shortages, while others will be affected by overproduction.

If such guesses are right, obviously, not all stocks in 1952 are going to move the same way. And that immediately poses a question: What stock groups do the experts think will do best in the months ahead?

Here's Wall Street's answer: The odds look best for airlines, cans and containers, electrical equipment, machine tools and industrial machinery generally, metals, office equipment, rayon, and sulfur.

Next in line, the experts believe, are the aircraft, chemical, soft coal, electric utility, farm machinery, natural gas, movie, oil, paper, TV, and textile shares. Least liked are the auto and truck, cement, home appliance, soft drink, sugar, and tire and rubber groups. Where the rest of the many individual stock groups are concerned, the Street appears to have a more or less neutral opinion.

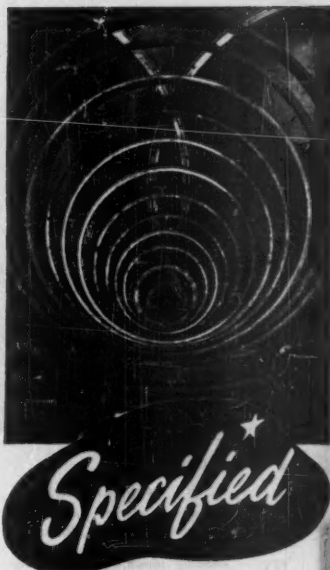
Covering Makes a Dent In Big Short Position

Mid-December saw the short position in Big Board listed stocks down to a 2,450,584-share level. That's 111,662 shares smaller than on Nov. 15. And this drop is the largest reported since last June.

• **Big Drop**—Most noticeable was the contraction that took place during the month in the short positions of various prominent auto, rail, steel, and textile issues. Even though they were still sizable when the month ended, those in General Motors, Chrysler, Burlington Mills, and New York, New Haven & Hartford commons, for instance, showed declines in the period ranging from 10% to as much as 18%.

• **But Still High**—On the other hand, the Big Board's short position still didn't back to "normal" levels. Mid-December actually saw a short interest position of 5,000 or more shares maintained in 119 of the 1,496 individual issues listed on the exchange, and in excess of 20,000 shares in the case of 31 of those issues. All told, moreover, short positions were being maintained in 887 stocks, compared with 882 in mid-November.

The biggest expansion scored by an individual issue in the period was chalked up by Canadian Pacific Ry. common. At mid-December it had a short position of 94,162 shares, as against only 24,950 shares a month earlier. Consolidated Edison of N. Y. common showed the biggest decline: In the four weeks covered, its short position dropped from 25,180 to 380 shares.



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DEFENSE BUSINESS

CHECKLIST:

Defense Regulations

The following listing and condensed description cover all the materials and price-control regulations issued by the defense agencies during the preceding week.

Full texts of the materials orders may be obtained from National Production Authority, Washington 25, or from any Dept. of Commerce regional office.

Full texts of the price orders may be had from the Office of Price Stabilization, Washington 25, or from the regional OPS office in your area.

Materials Orders

Inventory controls: Removes inventory restrictions from natural rubber latex and four chemicals (nicotinamide, nicotinic acid, phenolic resins and molding powders, and polyvinyl acetate) and places tighter limitations on 19 other items in short supply including cellophane and certain types of chemicals, alloy, and carbon steel. NPA Reg. 1, Amdt. 1 (Dec. 14).

Nickel and chromium: Restricts certain specific end uses of these metals. Also, no person placing orders for material to be used for any purpose indicated in Schedule C is permitted to specify temperature requirements beyond those necessary for his final operation. M-80, Sched. C (Dec. 17).

Aluminum scrap: Provides that no owner or generator of aluminum scrap may deliver within three consecutive days 20,000 lb. or more to a dealer unless he reports the transaction to NPA on form 152. Two copies of the report must be furnished the dealer. He must fill out one and mail it to NPA when he delivers the scrap to a customer. M-22 as amended (Dec. 17).

Copper raw materials: Authorizes NPA to direct all copper raw materials, including intermediate shapes and refined copper, as well as copper scrap, to users. M-16 as amended (Dec. 17).

Aid for laboratories: Provides limited assistance to vital civilian laboratories to obtain electron tubes and resistors needed to carry on essential defense and civilian work. Permits manufacturers of these tubes and resistors to arrange deliveries of small rated orders without regard to chronological receipt of the orders. NPA Reg. 2, Dir. 4 (Dec. 19).

Signature for certification: Provides

that when a customer signs a purchase or delivery order the signature may also serve in most cases as the signature for certification of the fact that the order complies with NPA regulations. NPA Reg. 2, Int. 2 (Dec. 19).

Pricing Orders

Book paper (coated and uncoated): Sets up a tailored regulation for book paper manufacturers that fixes dollars-and-cents ceilings on six basic pricing grades and provides methods for determining prices of other weights and grades. CPR 106 (eff. Dec. 19).

General Motors passenger automobiles: Sets up basic retail dollars-and-cents prices for Chevrolet, Pontiac, Oldsmobile, Buick, Cadillac, and GMC passenger automobiles and for factory-installed extra, special, or optional equipment sold with these automobiles. CPR 83, Sec. 2, Spec. Order 7 (eff. Dec. 17).

Exemptions: Exempts from price control domestic antimony ores and concentrates, graphite foundry facings, synthetic crystals, soapstone, and serpentine dimension building stones. GOR 9, Amdt. 10 (eff. Dec. 19).

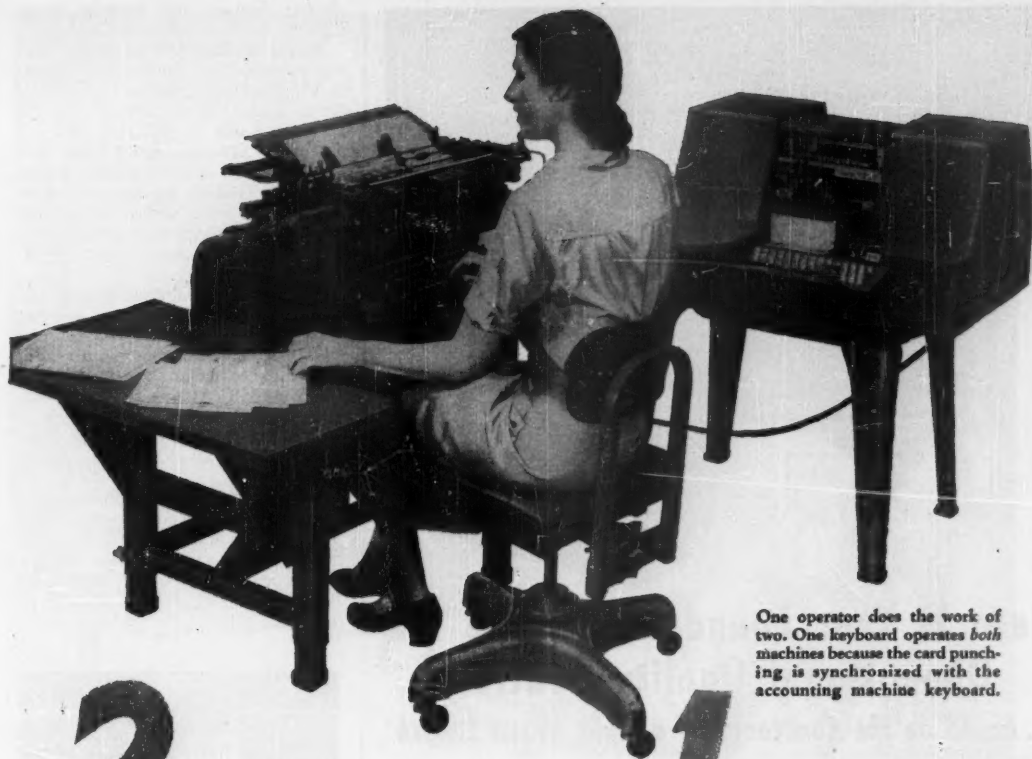
Shipbuilders: Extends until Feb. 13 the temporary suspension of price control on sales of certain new ships and on the repair and conversion of similar craft. GOR 9, Amdt. 11 (eff. Dec. 15).

Pulpwood: Sets up dollars-and-cents ceiling prices for pulpwood, including excelsior bolts, produced in Minnesota, Wisconsin, and Michigan. CPR 107 (eff. Dec. 24).

Crosley passenger automobiles: Sets up basic retail dollars-and-cents prices for Crosley passenger automobiles and for extra, special, or optional equipment sold with these automobiles. CPR 83, Sec. 2, Spec. Order 8 (eff. Dec. 20).

Iron and steel scrap: Permits certain operators of basic open-hearth and blast furnaces to apply to OPS for authority to pay established premium ceiling prices for certain premium grades of

The Pictures—Cover by Dick Wolters. Acme—90; Amalgamated Clothing Workers of America—36; Morgan Fitz—48; Bob Isear—32 (ctr.); Keller Studio—58, 60; McGraw-Hill World News—97 (bot.), 98; Moore-McCormack Lines—97 (top); Owens Corning Fiberglass Corp.—42 (bot.); Reni—40, 74; Republic Aviation Corp.—22, 23; Wide World—32 (lt., rt.), 103; Dick Wolters—42 (top), 82.



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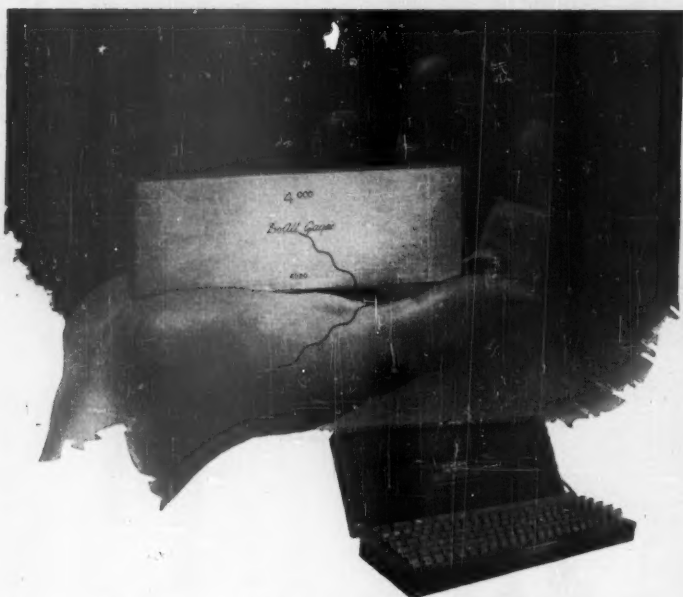
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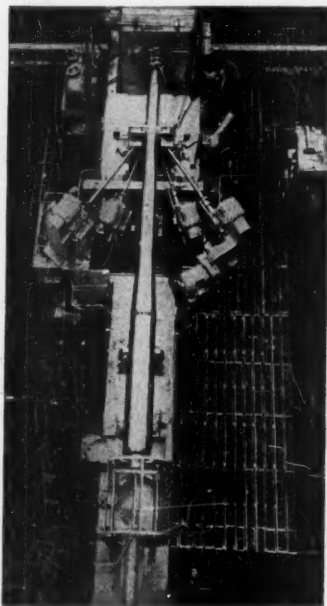
electric furnace and foundry scrap. CPR 5, Amdt. 6 (eff. Dec. 24).

Peanut shellers: Sets up special pricing methods for shellers of peanuts in Virginia, North and South Carolina, Georgia, and Texas. CPR 22, SR 20; CPR 22, Amdt. 37 (eff. Dec. 14).

Hudson passenger automobiles: Sets up basic retail dollars-and-cents prices for 1951 Hudson passenger automobiles and for extra, special, or optional equipment sold with these automobiles. CPR 83, Sec. 2, Spec. Order 2 (eff. Dec. 17).

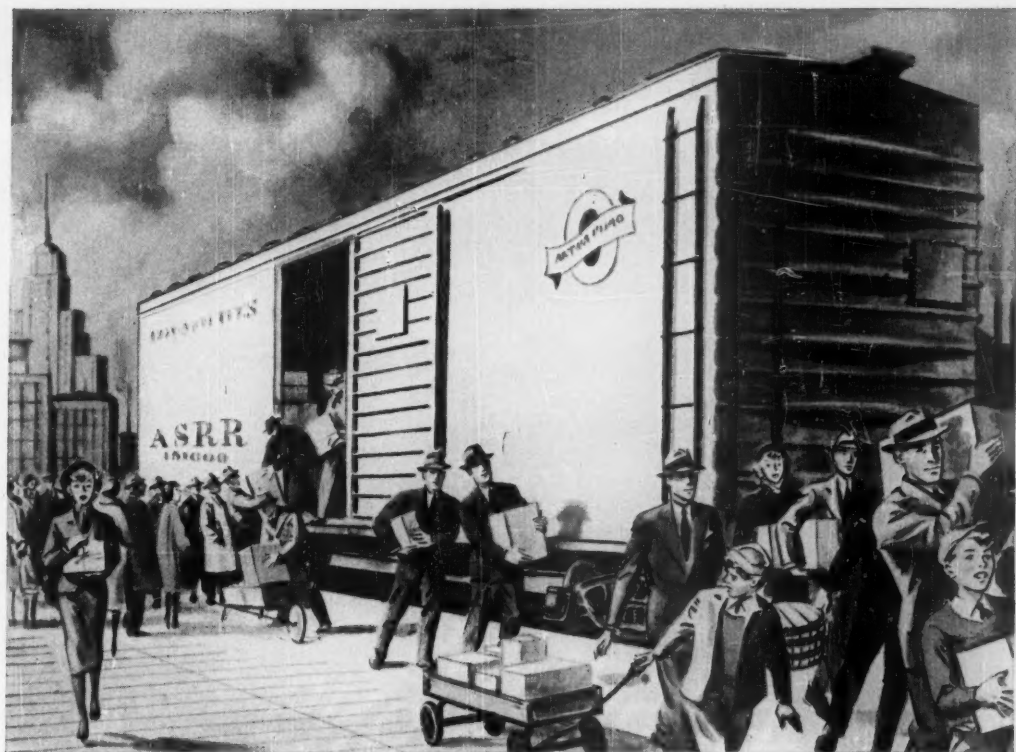
Motor contract carriers: Extends the applicability of the regulation covering adjustment of ceiling rates of contract tank truck haulers of commodities other than milk to include Alaska, Hawaii, and Puerto Rico. Also permits motor carriers to apply for individual adjustments on a showing of financial hardship. GCPR, SR 52, Amdt. 1 (eff. Dec. 24).

Canned soup: Permits processors of canned soups, in calculating their 1951 pack ceiling prices, to exclude sales from previous year's pack in figuring their average sales prices during the 1949 base period. CPR 75, Amdt. 1 (eff. Dec. 24).



Shining Up the Gun

A special drilling machine puts the finishing touches on the metal tube for the barrel of a 90-mm. tank cannon. The high-velocity guns are being turned out for Army Ordnance at the Lansing (Mich.) plant of General Motors' Oldsmobile Division. Now 425 workers are engaged in the operation.



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There's not much drama or glamor in a freight car . . . but it plays a tremendously important part in the daily life of every citizen.

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freight car could provide for only 54 people . . . it then took a half million more freight cars to do the job for 27 million fewer people. Because of improvements in both operational methods and equipment, today's car carries more, travels further, gets there faster; and, therefore, serves more people than ever before.

One of the equipment improvements that made this expanded

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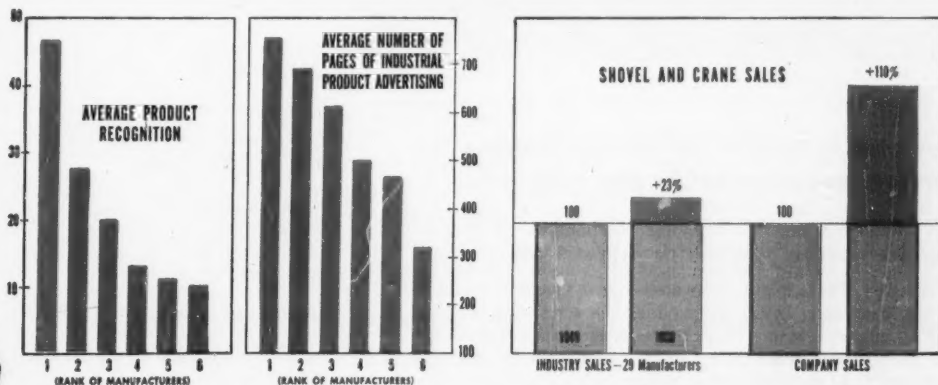
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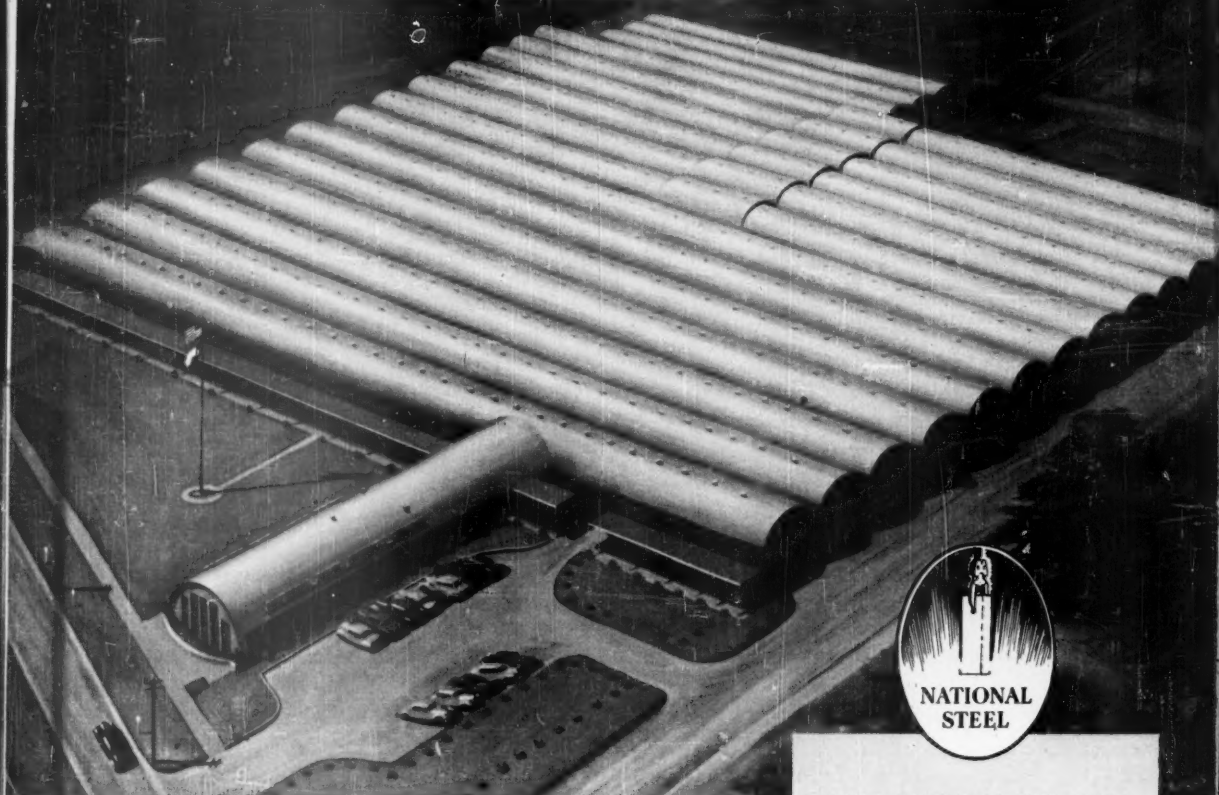
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GREAT LAKES STEEL CORPORATION, Detroit, Michigan. The only integrated steel mill in the Detroit area. Produces a wide range of carbon steel products . . . is a major supplier of all types of steel for the automotive industry.

WEIRTON STEEL COMPANY. Mills at Weirton, West Virginia, and Steubenville, Ohio. World's largest independent manufacturer of tin plate. Producer of a wide range of other important steel products.

STRAN-STEEL DIVISION. Unit of Great Lakes Steel Corporation. Plants at Ecorse, Michigan, and Terre Haute, Indiana. Exclusive manufacturer of world-famed Quonset buildings and Stran-Steel nailable framing.

HANNA IRON ORE COMPANY, Cleveland, Ohio. Produces ore from extensive holdings in Great Lakes region. National Steel is also participating in the development of new Labrador-Quebec iron ore fields.

THE HANNA FURNACE CORPORATION. Blast furnace division located in Buffalo, New York.

NATIONAL MINES CORPORATION. Coal mines and properties in Pennsylvania, West Virginia and Kentucky. Supplies high grade metallurgical coal for National's tremendous needs.

INTERNATIONAL OUTLOOK

BUSINESS WEEK
DECEMBER 29, 1951



The Churchill touch will be felt more and more in British and world affairs.

- The 77-year-old prime minister plans this bold approach:
- Drastic internal medicine for Britain's economic crisis.
 - A bid to Washington for new policies to strengthen the Atlantic alliance.

At home, Churchill wants a deep cut in government spending.

He has handed his cabinet a plan that would (1) just about abolish food subsidies, and (2) cut government money for housing, education, and some social service benefits.

As an offset to food subsidies, there would be a hike in old age pensions and family allowances. But the net saving here would be £200-million. Other budget savings would run to about £150-million.

This program is aimed at restoring British influence in the world.

Churchill figures he must balance Britain's income and outgo, make the sterling area system work again. And he thinks the British people will go along with him.

But the rest of his cabinet is worried about losing votes. So this week they were trying to whittle down the program.

Both London and Washington are playing hush-hush about Churchill's U. S. visit. (He's due to arrive Jan. 3.) But it's a safe bet that Churchill will make proposals like these to Truman:

- To strengthen NATO, the U. S. should consider a common defense pool, at least for raw materials. Also, Washington could help speed European unity, if U. S. representatives took part in current political discussions on the Continent.

- To meet the Russian threat, London and Washington should consider a declaration of peace aims—a 1952 version of the Atlantic Charter. A personal approach to Stalin shouldn't be excluded, either.

- To smooth U. S.-British relations, discussions should be held on closer atomic cooperation. Also, a formal agreement should be reached on American use of air bases in Britain.

- To help Britain economically, the U. S. should promise 1.5-million tons of steel in 1952—and start buying tin from Malaya again.

You should know within a couple of months whether or not European unity will firm up.

The fate of the Schuman coal-steel pool will be settled in a few weeks. Everything hinges now on whether West Germany signs up.

A decision is due on the joint European army before the next NATO meeting, slated for Lisbon early in February.

But some European statesmen think a loose political federation will be needed to get the army plan off paper. Both the French and Italians already have cooked up federation schemes.

There's talk, too, of a centralized European banking system. If there's to be a common defense budget for the joint army, that might become essential.

The U. S. Congress may play a big part in this unity question.

Many congressmen have just come back from Europe convinced that

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

DECEMBER 29, 1951

federation is the only answer. Some would slash U. S. aid next year unless dramatic progress is made before spring.

The State Dept. thinks Europe is moving as fast as anyone should expect, that this kind of prodding from Congress might do more harm than good. So State is urging Truman to stress the progress that's been made in the past five years—more than in the preceding 150.

•
Egypt's King Farouk may be the one to settle the Anglo-Egyptian squabble over Suez.

His appointment of two pro-Westerners to the royal circle of advisers looks like a compromise move.

Rumor has it that the U. S. and British ambassadors were in on the deal. London and Washington may offer Cairo a new Middle East defense setup later in the winter. As bait, Farouk would be promised recognition as King of the Sudan (BW-Dec.8'51,p175).

But the crisis isn't over. The King's politicking has made arch-nationalist Premier Nahas Pasha hopping mad, touched off a new round of anti-West rioting. So you can't be sure who'll come out on top.

•
This week U. S. diplomats were adding up the East-West balance sheet for 1951. They figure it shows a small net gain for the West.

On the credit side, the West counts these main items:

- The United Nations forces in Korea, hard hit a year ago by the massive Chinese intervention, have stabilized the front.

There's high hope that the enemy will agree to a truce.

•
Western Europe can boast a real defense force now—26 divisions. During the year Gen. Eisenhower has added 20 divisions, built an international general staff, laid out a web of supply depots and airfields.

- A year ago European unity was a gleam in statesmen's eyes. Now unity, through the Schuman Plan and the European army scheme, has moved closer than ever to realization.

- The West has held the diplomatic initiative throughout the year; the Kremlin hasn't made a single major policy move.

•
But there's no time for self-satisfaction. The ledger shows four alarming entries:

- We've achieved little more than a stalemate—a "freeze"—in the Far East. Mao Tse-tung's Communist regime seems stronger, more totalitarian than ever (BW-Dec.22'51,p93). The Peiping-Moscow axis hangs darkly over the Orient.

- Rearmament and skyrocketing raw material prices have knocked the fragile British and French economies out of kilter. Inflation, almost under control a year ago, is now a grave threat.

- The Middle East is close to chaos. It's the critical weak spot in the free world's defenses. Western diplomacy may yet patch things up—but it's much too early to be optimistic.

- Many of our allies are troubled about U.S. leadership of the Western alliance. They say we underestimated the impact of hurry-up rearmament on their economies, that Washington indecision on aid policy has gummed up their budgeting for defense.

BUSINESS ABROAD



LARGEST FOREIGN INVESTMENT: Canada-owned Brazilian Traction Co. lights up Brazil's queen city of Rio de Janeiro.



LARGEST U.S. MANUFACTURER: General Motors of Brazil, with its Sao Paulo plant, leads Brazilian auto makers, who realize . . .

There's Money to Be Made in Brazil

They've got an awful lot of dollar investment in Brazil. At latest count, U.S. investments there were worth \$600-million. That money is paying handsome returns to U.S. businessmen; and it's making a big contribution to Brazil's blossoming industrialization.

For Brazil, and for the investors, 1952 ought to be the biggest year yet. Everyone is talking expansion; the Brazilians themselves, the monster U.S. and Canadian-owned utilities, the scores of for-

eign-based manufacturers. A raft of other companies, European as well as North American, are eyeing Brazil as a spot for new plants.

• **Big Plans**—Here's a mere sampling of what's going on:

• American & Foreign Power Co. will launch a \$125-million expansion program for its network of Brazilian subsidiaries.

• Ford of Brazil has a \$10-million expansion on the fire.

• General Electric plans to spend \$12-million.

• Reynolds Metals Co. is sending engineers to Brazil to look over the possibilities for a multimillion-dollar aluminum plant.

• Britain's Dunlop plans a tire factory; Germany's Krupp interests are scouting the Sao Paulo industrial area.

The reasoning behind these moves is simple: Brazil offers a wide-open market for foreign investors. In 1950 "take-



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EXPANSION IS THE KEYNOTE: Ford Motor Co. is spending \$10-million for new plant and equipment at Sao Paulo. Output will be up to 30,000 vehicle units yearly.

home" pay of U.S. investors was a healthy \$76-million in outright profits and repatriated capital. Another \$35-million was plowed back into Brazilian operations. The Bank of Brazil estimates that U.S. money—original capital and reinvested earnings—is almost half the total officially registered foreign investment in Brazil, now around \$1.3-billion.

• **A Big Step**—That's a far cry from 1939. Prewar, U.S. investment in Brazil was a piddling 29%, against British holdings of 55%. Today the U.S. and Canada account for 71% of the total—\$600-million plus for the U.S., \$300-million plus for Canada. Britain now is way down to 17%.

It's not that Americans have been buying Britons out. While new private money kept coming in from the U.S. British holdings were being liquidated. For one thing, Brazil paid off much of its public debt held abroad; then, too, railways built and operated by Britons were nationalized.

I. Why Invest?

Two big reasons account for the foreign businessman's interest in Brazil:

- The Brazilians, in their headlong rush to industrialize, are creating conditions that force any outsider to set up a plant.

- For the outsiders there are the prospects of solid profits in a market that's far from the saturation point in almost any line of goods.

For the U.S. businessman, there's an added attraction. Brazil's coffee earnings in the U.S. are so large that remittance of dollar profits, dividends, and interest by American concerns in Brazil is relatively easy. A company can remit an amount up to 8% of its registered capital each year—and now some foreign exchange is becoming available for repatriation of original capital under a

provision that technically allows return of up to 70% annually.

• **Alluring**—In broadest terms, Brazil's policy is to ban import of any manufactured item in direct proportion to the volume in which it is produced at home. What's more, as a fairly recent development, importers are being given quotas way under previous amounts that made up the deficiency between home production and home demand. So any foreign manufacturer who has a profitable market at stake in Brazil has to think seriously about moving in.

Another Brazilian lure is the fact that private initiative and private capital supply the driving force behind Brazil business. Like most South American nations, though, the political trend seems to be toward more government in business, more noisy nationalism. How that will effect the foreign investment climate in future years isn't sure. For one thing, there'll be no heavy foreign investment in Brazilian oil, thanks to President Vargas' plan for an all-Brazilian oil development corporation (BW—Dec.15'51,p152).

II. Public Utilities Are Biggest

It's the field of public utilities, rather than manufacturing, that boasts the largest foreign investments in Brazil. Head and shoulders above them all is the great Brazilian Traction, Light & Power Co. of Toronto, "The Light" (as Brazilians call it) represents almost the entire Canadian investment in one fell swoop. It controls 80% of Brazil's telephones, 65% of its generating capacity—easily the nation's most important single enterprise. It operates the power companies that serve the queen cities of Rio de Janeiro and Sao Paulo and the countryside between; plus gas companies, street railways, and the Brazilian Telephone Co.

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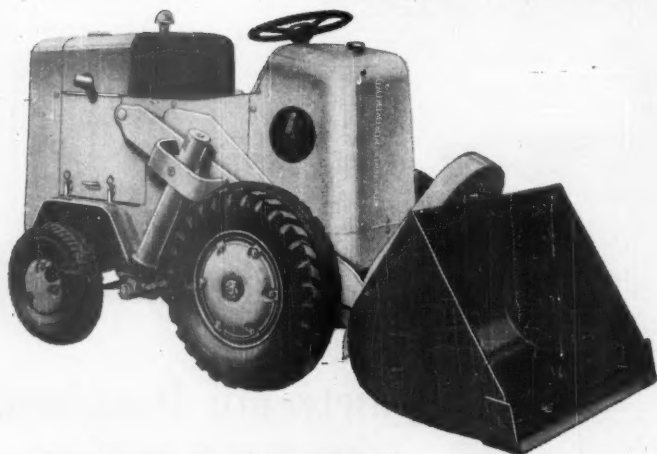
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and The Light's running mate, is the group of 19 utilities operated by American & Foreign Power Co., New York. They're working mainly in the booming interior cities of Sao Paulo state and in the "bulge" area of eastern Brazil. AFP's fixed capital in Brazil is over \$136-million; like Brazil Traction, it operates power, gas, phone, and street railway companies.

• **Keynote**—Both concerns are hammering hard on expansion. Brazil Traction is using \$90-million worth of World Bank funds to double its power supplies for Rio and Sao Paulo and to boost phone service. American & Foreign Power says it will spend \$125-million over the next five years.

III. Manufacturers Expand

It's hard to size up the relative scope of each U. S. manufacturing investment in Brazil because of differing aims, organization, capitalization, relations with the home office.

But the biggest companies here in the United States are the biggest in Brazil, too. They produce hundreds of products—from autos to adhesives, from sprinkler systems to Spam. And the keynote for 1952 is more and more expansion.

Here's a sampling of some of the leaders:

For sheer size, the Sao Paulo operation of General Motors heads the list of U. S. manufacturing investment. There's a sprawling, 100,000-sq. meter covered plant area with 3,000 workers. Besides assembling trucks, autos, and busses, building some bus bodies on the spot, GM has just wound up a \$1.5-million investment in a Frigidaire manufacturing section.

Ford is close behind. Next year should see completion of a \$10-million expansion of floor space and equipment, allowing Ford to assemble up to 30,000 vehicles yearly. And International Harvester, third in the auto field, is doubling the size of its Sao Paulo assembly plant. Other auto makers send components to Brazil distributors for assembly.

• **On Top**—General Electric leads the field as an employer. Its Rio and Sao Paulo plants employ upwards of 4,000, producing light bulbs, transformers, fixtures, electric motors. GE is down for a whopping \$12-million Brazilian expansion, to include a refrigerator factory.

There are a slew of other bigwigs in Brazilian metalworking: Continental Can is in partnership with Brazil's second-largest metal container producer; Otis Elevators has a Sao Paulo plant; Gillette makes all the razor blades in Brazil.

• **A Familiar Ring**—Brazil's chemical and drug industry boasts the top U. S.

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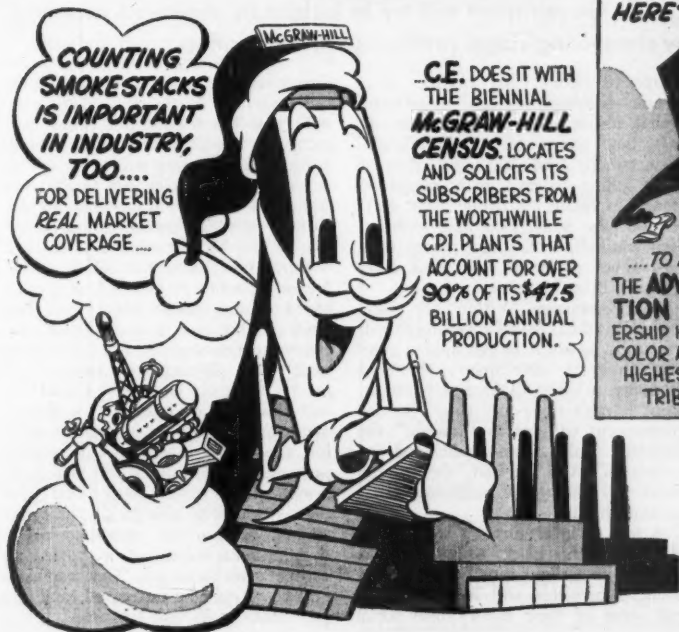


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names. There's du Pont in partnership with Britain's Imperial Chemical Industries; Monsanto, which is starting work on a polyvinyl chloride plant; Union Carbide; National Carbon; and Koppers, which is taking a half-million-dollar share in a polystyrene plant under construction. Johnson & Johnson is tops in the pharmaceutical and related products field; then Squibb; Sidney Ross; Colgate-Palmolive-Peet; Parke, Davis; Wyeth; and Eli Lilly.

The processing industries include Anderson, Clayton & Co., with its \$25-million string of seed oil insecticide, fertilizer, margarine plants. Swift and Wilson lead the meat packers, each with capital and reserves worth over \$15-million. Armour runs a close third.

Sears, Roebuck is the top U.S. merchandiser in Brazil with its big stores in Rio and Sao Paulo—80% of its turnover is in Brazil-made goods.

• **Join the Parade**—That's just a catalog, and a partial one at that, of U.S. outfits in Brazil now. Plenty of others are getting ready for the plunge. ACF Brill is polishing up plans for a bus assembly plant; Kelvinator will enter refrigerator production; Remington Rand will build a carbon paper plant; Burroughs Adding Machine Co. people are surveying the scene, have talked with President Vargas. And the biggest splash recently was the decision of Reynolds Metals Co. officials, after a quick look at Brazil, to rush engineers

there on a project survey for a possible \$150-million aluminum plant.

Yankee businessmen aren't the only ones on the Brazil bandwagon. Belgian money runs the Belgo Mineira steel works near Belo Horizonte; the French are behind the Rhodia textile and chemicals outfit. Philips of the Netherlands has a subsidiary at work; so does Aluminium, Ltd., of Canada. Seven French banks have put up almost \$20-million for hydroelectric power equipment for the state of Minas Gerais.

There's more European money on the way. Krupp of Germany is scouting the Sao Paulo area; Schindler of Switzerland plans a diesel engine plant; Britain's Dunlop will build a \$3-million tire factory. Auto makers are coming, too. Fiat will license manufacture of its cars as a starter; Germany's Borgward is talking over plans to ship 6,000 cars to Brazil and then—hopefully—build an assembly plant out of the profits.

One thing to remember: Foreign capital doesn't dominate Brazil. The Matarazzo industrial empire, with capital plus reserves close to \$100-million and interests in textiles, cotton, banking, steel, and chemicals, would be big in any country. And a round dozen top Brazilian companies are capitalized at well over \$5-million each. All told, there are some 2,521 Brazilian companies with registered capital plus reserves of \$2-billion plus.

Spain's Black Market Changes Hands

Government will try to bolster its shattered economy by channeling illegal profits into its own coffers.

One of Spain's big troubles is a chronic shortage of new investment capital for business and industry. It isn't that plenty of people—officials, businessmen, and outsiders after a quick killing—haven't made plenty of money in Spain's thriving black market, but the newly rich hate to bring their windfalls to the legal money markets. They prefer to squirrel it away or spend it on luxuries.

• **The Campaign**—Within the next few weeks, the Spanish government will try to dig up some of the hidden capital, funnel it into Spain's shattered economy. Threats of fines and punishment haven't done any good. So the government will try to "educate" the hoarders, make them understand investments. And, as bait, the government will offer them handsome yields on their funds.

A sort of fiscal amnesty will be declared for the black market money. There'll be a slight moral punishment, though: Investors will be obliged to put some of their money into social

enterprises like workers' housing, hospitals, etc.

• **Tactics**—The re-education is only one prong of Madrid's anti-black market campaign. The other will be based on switching the black market to the government's benefit, rather than relying on laws that have proved a flop in the face of the black market organization.

Here's how one attack will work: At present, gasoline is rationed at a price of 24 pesetas (about 60¢) a gal. But black market gas is available at any government-controlled service station merely by slipping the operator 48 pesetas for every extra gal. Unable to halt this kind of trading, the government has decided to substitute itself for the black marketer. Beginning next week gas will go on being rationed at the government price. But motorists will be able to purchase any amount of gasoline, over and above their rationed allotment, by paying an extra 10 pesetas per gal. That way black marketers will be unfrocked, and the government will cash the profit.

BUSINESS ABROAD BRIEFS



Sky ads for Germans: An outfit in Salzgitter-Bad has developed a 4.5-million candlepower projector to bounce advertisements off cloud banks in the night sky. The inventor says the cannonlike gadget can beam a message 16,500 ft. up, visible 8 mi. away.

The Russians are working hard to turn either Helsinki, Finland, or their own Leningrad into a kind of "European Hong Kong." The idea: to stimulate trade between satellites and Western Europe through a "nonpolitical" free port.

Canadian notes: Nickel production in Canada this year is up to 275-million lb. That's 28-million lb. over the 1950 production figure. . . . Swiss interests are joining U.S. investors in the rush to Canada. Latest project: a \$5-million cement factory outside Quebec City. . . . The U.S. will supply Thompson Products, Ltd., St. Catharines, with \$2-million worth of machine tools to help boost production of jet engine parts for the Air Force. Thompson is building a \$4-million plant to do the job.

Christmas in Venezuela: Foreign oil companies are distributing upwards of \$20-million in bonuses among 40,000 workers in Venezuela as their share of 1951 profits.

A savings-plus-insurance scheme has been introduced in Germany by a Hamburg bank. The idea: A depositor signs a contract promising to pay a minimum of \$2.35 monthly for 50 months. Besides receiving normal interest on his deposits, his life is automatically insured for the full amount of his contract, with double indemnity in case of accidental death.

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Business Week—December 29, 1951

ACME STEEL CO.	60	THE M-REE CO.	69
Agency—Leo Burnett Co., Inc.		Agency—C. J. LaRoche & Co., Inc.	
THE ADVERTISING COUNCIL	70-71	McGRAW-HILL BOOK CO., INC.	66
AIR REDUCTION SALES CO.	30	McGRAW-HILL INTERNATIONAL CORP.	73
Agency—G. M. Basford Co.		McGRAW-HILL PUBLISHING CO.	82-83
ALLEGHENY LUDLUM STEEL CORP.	99	MEAD CORP.	35
Agency—Walker & Downing		Agency—Gray & Rogers	
ALLEN-BRADLEY CO.	29	MICHIGAN EXPRESS, INC.	88
Agency—The Fensholt Co.		Agency—John B. Van Doremel Agency	
ALLIS-CHALMERS MFG. CO.	2-3	THE MINNEAPOLIS & ST. LOUIS RAILWAY 45	
Agency—Compton Adv., Inc.		Agency—Addison Lewis & Assoc.	
ALUMINUM CO. OF AMERICA	12-13	MONSANTO CHEMICAL CO.	4th Cover
Agency—Fuller & Smith & Ross, Inc.		Agency—Gardner Adv. Co.	
AMERICAN BLOWER CORP.	43	NATIONAL CITY BANK OF NEW YORK	40
Agency—Brooke, Smith, French & Dorrance, Inc.		Agency—Batten, Barton, Durstine & Osborn, Inc.	
AMERICAN LUMBER & TREATING CO.	55	NATIONAL STEEL CORP.	94
Agency—Fuller & Smith & Ross, Inc.		Agency—Campbell-Ewald Co.	
AMERICAN NAME PLATE & MFG. CO.	96	NATIONAL TANK & PIPE CO.	81
Agency—Geo. J. Cowan		Agency—Joseph R. Gerber Co.	
AMERICAN OPTICAL CO.	8	NEW BRITAIN MACHINE CO.	82
Agency—Sutherland-Abbott		Agency—Wilson, Haight & Welch, Inc.	
THE AMERICAN WELDING & MFG. CO.	87	OTIS ELEVATOR CO.	3rd Cover
Agency—The Bayless-Kerr Co.		Agency—G. M. Basford Co.	
"AUTOMATIC" SPRINKLER CORP. OF AMERICA	64	PHILLIPS PETROLEUM CO.	7
Agency—Meek and Thomas, Inc.		Agency—Lambert & Feasley, Inc.	
BAKER-AULANG CO.	75	POTTER & BRUMFIELD	88
Agency—G. M. Basford Co.		Agency—LaGrange & Garrison, Inc.	
BUELL ENGINEERING CO., INC.	79	PRESSED STEEL TANK CO.	6
Agency—Hicks & Great, Inc.		Agency—The Buchen Co.	
THE E. W. BUSCHMAN CO.	72	RADIO CORPORATION OF AMERICA	66
Agency—The S. C. Baer Co.		Agency—J. Walter Thompson Co.	
A. M. BYERS CO.	50	RELIANCE ELECTRIC & ENGINEERING CO. 51	
Agency—Ketchum, MacLeod & Grove, Inc.		Agency—Meldrum & Frewsmith, Inc.	
CELANESE CORP. OF AMERICA	54	REMINGTON RAND, INC.	89
Agency—Ellington & Co., Inc.		Agency—Leeford Adv. Agency, Inc.	
CHEMICAL ENGINEERING	101	ROURA IRON WORKS, INC.	48
CLUES	102	Agency—L. J. DuMahaut Adv. Agency	
CONTINENTAL MOTORS CORP.	41	ROYAL TYPEWRITER CO., INC.	57
Agency—Cummings & Hopkins		Agency—Young & Rubicam, Inc.	
THE COOPER-BESSEMER CORP.	37	THE SHEFFIELD CORP.	34
Agency—The Griswold-Eshleman Co.		Agency—Witte & Burden, Adv.	
CRANE CO.	31	THE TEXAS CO.	20
Agency—The Buchen Co.		Agency—Cunningham & Walsh, Inc.	
CRUCIBLE STEEL CO. OF AMERICA	63	TIMBER STRUCTURES, INC.	59
Agency—G. M. Basford Co.		Agency—Simon & Smith, Adv.	
THE DAALL CO.	90	THE TODD CO.	36
Agency—Russell T. Gray, Inc.		Agency—The Merrill Anderson Co., Inc.	
DOLLINGER CO.	56	THE TORRINGTON CO.	19
Agency—Casler, Hempstead & Hanford, Inc.		Agency—Hazard Adv. Co.	
DOUGLAS FIR PLYWOOD ASSOC.	73	TOWMOTOR CORP.	4
Agency—The Condon Co., Inc.		Agency—Howard Swink Adv. Agency, Inc.	
E. I. du PONT de NEMOURS & CO.	81	THE TREMCO MFG. CO.	62
Agency—Batten, Barton, Durstine & Osborn, Inc.		Agency—The Griswold-Eshleman Co.	
FEDERAL PRODUCTS CORP.	65	TWIN DISC CLUTCH CO.	85
Agency—Hammond-Goff Co.		Agency—Spencer Curtiss, Inc.	
FINNELL SYSTEM, INC.	98	UNION CARBIDE & CARBON CORP.	2nd Cover
Agency—Johnson, Read & Co., Inc.		Agency—J. M. Mathes, Inc.	
FULLER BRUSH CO.	82	WARDMAN PARK HOTEL	48
Agency—John B. Fairbairn Adv.		Agency—Admesters Adv., Inc.	
GOODBODY & CO.	63	R. D. WERNER CO., INC.	49
Agency—Doremus & Co.		Agency—James Thomas Chirurg Co.	
THE B. F. GOODRICH CO.	46, 84	WESTERN FELT WORKS	84
Agency—The Griswold-Eshleman Co.		Agency—Criticfield & Co.	
THE B. F. GOODRICH CO. (RIVNUT DIV.) ..	72	WESTINGHOUSE AIR BRAKE CO.	91
Agency—Batten, Barton, Durstine & Osborn, Inc.		Agency—Ketchum, MacLeod & Grove, Inc.	
GREAT LAKES STEEL CORP.	39	WESTINGHOUSE ELECTRIC CORP.	52-53
Agency—Campbell-Ewald Co., Inc.		Agency—Fuller & Smith & Ross, Inc.	
GUNNISON HOMES, INC.	44	WHEELING CORRUGATING CO.	47
Agency—Advertising Assoc.		Agency—Cunningham & Walsh, Inc.	
HEWITT-ROBINS, INC.	14	THE WHELAND CO.	40
Agency—Fuller & Smith & Ross, Inc.		Agency—Foster & Condon, Adv.	
THE FRANK G. HOUGH CO.	100	WHITE MOTOR CO.	11
Agency—Ervin R. Abramson		Agency—D'Ayer Adv. Co.	
INLAND STEEL CO.	33	WORTHINGTON PUMP & MACHINERY CORP.	77
Agency—Wells & Geller, Inc.		Agency—James Thomas Chirurg Co.	
KELLER TOOL CO.	5	ZIPPO MFG. CO.	67
Agency—The Fensholt Co.		Agency—Geyer, Newell & Ganger, Inc.	
LIBERTY MUTUAL INSURANCE CO.	16		
Agency—Batten, Barton, Durstine & Osborn, Inc.			

Shall We Brake the Rearmament Drive?

Looming larger every day on the Congressional horizon is this question: Is rearmament going too fast? No more important issue awaits the legislation as they reconvene.

The upcoming debate runs much deeper than the Senate's probing as to why weapons output is lagging behind target figures. It raises the basic issue as to whether pressing ahead with present programs won't hurt more than it will help.

The argument of the slowdown advocates is straightforward: Diverting materials and men to rearmament on the basis now planned will lower living standards dangerously and produce further inflation. This is especially true of Europe where the public is unwilling to cut back its living standard to speed arm output. In this country civilian morale is less a problem, but inflation is a real peril. Specifically, Philip Reed of General Electric proposes a stretchout in our own defense program that would cut back planned expenditures in fiscal year 1953 from \$65-billion to \$55-billion (BW—Dec. 1951, p.24).

The brief for retrenchment is formidable. It is advanced by solid citizens fully persuaded of America's responsibility for world leadership. Because this point of view is bound to get a wide hearing in Congress, it needs a careful review beginning right now.

All Americans agree, of course, that whatever we need to defend ourselves we will get—regardless of cost. For military defeat and occupation by communism is an intolerable price to pay for not doing so. What the retrenchment advocates are really saying is this: There is less urgency today than a year ago for overcoming our defense deficit according to the original timetable.

It is probably true that Russia will not deliberately provoke a third World War. Stalin has had several chances in the last five years and has refrained. He knows Russia couldn't win a war with the free world led by the United States and a defeat would end the chance of perpetuating his regime. But war can come without either Russia or the United States planning it that way. Peace is always at the mercy of an incident.

Nor is there any reason to believe that our need for a minimum defense force is less because of a possible truce in Korea. Even should the war there come to a stop, our military commitment would be large for some time to come. The buildup of Red air strength in North Korea and Manchuria is ominous. Moreover, the question of Formosa might then flame anew, because the future of that beleaguered island is a point on which Stalin could probe a real weakness in the anti-Communist alliance.

Then there is the seething Middle Eastern belt ripe for exploitation by the Kremlin's experts in chaos. Back in the heart of Europe lies Germany, critically important to both Russia and the West.

Any such canvas of the world's peril points strongly suggests we get a minimum level of military readiness as soon as we can manage it. It certainly doesn't support the futile policy of starting and stopping our defense program every time an obstacle develops or a silver lining appears in the sky. What degree of readiness we need to win any war that might come no one can know. We do know we are not at that point yet, nor will we be for another two years on the basis of present schedules.

To get to that point will require sacrifice; nobody has figured out how to do it with mirrors. The point is that if we talk of retrenchment in this country our allies will certainly follow suit.

The "three wise men" of the North Atlantic Treaty Organization have looked at the problem and have recommended a new effort to step up production to meet military and civilian needs within a revised program. If that means coming at last to dealing with fundamental problems such as the preposterous shortage of coal in Europe, then let it come. And if sharing the critical materials in short supply around the world means further reduction in our civilian economy, let it come for another year or two until we make up our appalling defense deficit. For that period, too, we and our allies must fight inflation more vigorously than ever by sound fiscal, monetary, and savings policies.

It's a time to put first things first, and at the top of the list right now is military readiness.

Threat to Research

Vannevar Bush is one of this country's wisest and most useful scientists. One-time professor at Massachusetts Institute of Technology, during the war Director of the Office of Scientific Research and Development, he is now president of the Carnegie Institution of Washington.

In his annual report the other day Bush warned against an obscure but fatal trend: bureaucratic control of scientific research. The federal government, he reports, is spending seven times as much money annually on research and development as before the war. "Many universities," Bush says, "are carrying the bulk of their research and the salaries of their graduate faculties on government funds." This means an inevitable trend toward stifling, centralized control of research.

Scientist Bush's warning should be heeded by one group in this country capable of doing something about it: businessmen. Expanded support of research in our colleges and universities by business is one way of dealing with this threat to America's leadership in production. It's a matter that company officers and directors should think about at the turning of the year.



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